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May 2011

## Night of the Living Ed: The Complete Transcript

**The following is the complete transcript of a roundtable discussion on public education hosted by TEXAS MONTHLY and published, in edited form, in the May 2011 issue.**

*The participants in the conversation were David Anthony (the superintendent of Cypress-Fairbanks Independent School District, the third largest ISD in Texas); Bill Hammond (a former state representative and the president of the Texas Association of Business); Louis Malfaro (the secretary-treasurer of the Texas chapter of the American Federation of Teachers, the country's second-largest education union); Scott McCown (a former district judge and the executive director of the Center for Public Policy Priorities); Robert Scott (the commissioner of the Texas Education Agency); and Arlene Wohlgemuth (a former state representative and the director of the Texas Public Policy Foundation). The conversation was moderated by Jake Silverstein, editor of Texas Monthly, and Nate Blakeslee, a senior editor at the magazine.*

Jake Silverstein: We all know that Texas is facing a severe budget shortfall, and we know that some of the plans put forward this session include pretty drastic cuts to education, anywhere from \$4 billion to \$10 billion. But I want to start by talking about how we got here. I know there are different ideas for how we got here. Scott, I want to start with you. Give us your take on how we got here. And I'll start with a simple question. True or false: Are we here where we are today because of the tax swap in 2006?

Scott McCown: You moved from a big question to a little question.

Silverstein: You can feel free to move back.

McCown: I think we are where we are today because Texas has always been a low-tax state and yet it's always been a state that believes in education, and those two commitments have been in collision for years. How do you have a strong public education system and give Texas children an economic opportunity and do that in the context of a low-tax state? And I think that's been the struggle, and that struggle has in this session intensified because of the Great Recession, which is responsible for a portion of our shortfall. But it comes on top of the 2006 creation of a structural deficit, so it was a double whammy, and we're trying to deal with that now. So I guess that's the short answer.

Silverstein: Is that how other folks at the table see the narrative of how we got to where we are today?

David Anthony: Well, one of the analysts for Standard & Poor's in Dallas has indicated that the biggest

problem in Texas right now is the property tax buy-down in 2006—an inept business tax to buy-down that tax break of \$14 billion—not the recession, even though the down economy certainly has an impact with what’s going on in the state. But those two combined—if you look at the failure of the business tax to generate \$5 billion at the biennium, that’s a \$10 billion hit right now, and that would look good if that \$10 billion were in the Rainy Day Fund right now.

Robert Scott: The scope of the problem is far beyond even those two items. It’s not just that the tax swap of 2006 failed to deliver. It’s not just that the Legislature didn’t appropriate enough. It’s that you also have growth factors in the formulas and student growth at 70,000 to 80,000 students per year. So that’s contributing to the gap that we see right now; it’s not just the tax swap. You go back to the fundamental reason the Legislature was put in the position to do the tax swap. It was the litigation in West Orange Cove that said originally the lawsuit was brought about in terms of equity between districts, adequacy overall, and an unconstitutional statewide property tax. What the Supreme Court gave the legislature as a problem to solve was the unconstitutional statewide property tax, and they solved that problem. They compressed tax rates down to a dollar, and they solved that problem. The combination of the Great Recession and the lack of the business tax to generate what it anticipated plus enrollment growth and property values are what has contributed to the whole thing, so I think it’s more of a three-pronged issue than just about the tax swap or what the Legislature was able to generate with the business tax. You’ve got to look at the growth. So there are a whole bunch of different factors in there that are contributing to the gap right now.

Bill Hammond: It wasn’t the tax swap; it was the method for paying for the tax swap that created that problem. But you’re right: A two percent decrease in property value across the state is a huge factor in looking at this problem.

Scott: As a matter of fact, when the comptroller was able to revise that a couple of weeks ago, that put \$300 million back on the table that the Legislature is able to use right now. So as the economy improves, that piece of the gap will improve. It’s whether or not we can address the business tax and enrollment growth. This will be the first session since Gilmer-Aikin that we haven’t funded enrollment growth. The question is whether we can live with that.

Anthony: But it’s the perpetual \$5 billion or so structural deficit that goes on from biennium to biennium.

Hammond: \$5 billion a year or \$5 billion a biennium?

McCown: \$5 billion a biennium.

Hammond: Well the problem is obviously a lot larger than just that amount of money that we’re dealing with this time. Depending on how you calculate it, the judge says its \$27 billion, right, Judge?

McCown: Right, the shortfall.

Hammond: The shortfall established by the tax not producing as much money as the comptroller estimated it would is 20 percent of the problem. Everybody keeps talking about the structural deficit based on the franchise tax, which no one likes. I agree with that, but that’s like the commissioner just said: I mean, that’s a relatively small part of the problem; I mean, you’re creating a new Fort Worth ISD every year.

McCown: Its not 20 percent, I don’t think. I think it’s a full third. We’ve got a structural deficit that’s \$10 billion; we’ve got a shortfall that’s \$30 billion. So that would be a third.

Louis Malfaro: It’s a \$5 billion annual shortfall.

McCown: That's the cost of maintaining current services.

Arlene Wohlgemuth: That's the cost of the LAR [Legislative Appropriation Request], and the Legislature has *never* funded all of that.

McCown: No. It's not the cost of the LAR. It's the cost of what the LAR says they need to maintain current services. It's not the wish list beyond that.

Wohlgemuth: But even that has never been fully funded. Even in good years.

Scott: How do you analyze those LARs? I mean, I submitted an LAR with no exceptional items. I didn't ask for anything extra, and so the only thing that could have been considered extra in my LAR is enrollment growth and property-value fluctuations. Is that where your analysis comes from, because that was my original projection as to what the formulas would drive? Well, the Legislature pushed the budget and said we were going to put a school finance system that lives within our means. So when I did my restoration, I could only add \$6 billion, because I didn't know what that legislation would look like and that took \$3.8 billion to \$4 billion off the table.

McCown: Well, I think you're supporting my point, because what I think I hear you saying is that your LAR doesn't actually capture all the costs that would go into current services under current law. So that's why we have always said that the shortfall is at *least* \$27 billion. It's actually more than that. But Arlene is right. The legislature from biennium to biennium has struggled and been unable to fund current services, which is why government's been contracting and why public education has been contracting and doesn't have the money that it needs. So that goes back to your point.

Malfaro: Going back to your broader point for a second, I think Scott raised an interesting issue, this tension in Texas between wanting to be a low-tax state and wanting to be a leader in education reform. So you look at the Quality Counts report that *Education Week* comes out with every year. Now, in "Standards" they give us an A because we have built an academic system with high expectations and a way to measure how kids are doing. On "Implementation" we get a C because we're not reaching those standards. On "Funding" we get an F, benchmarked against other states around the country.

Scott: I think it was a D. I don't think it was an F.

Malfaro: When I am done eating my salad I will get up and go check. But clearly the funding is where we are falling down. So a lot of us feel like, for the money that's being spent, Texas is actually doing fairly well. The problem is we're a laggard when it comes to real investment in education.

Hammond: I don't agree with that for a minute. In the first place I don't think there is any relationship between funding and academic performance. I don't think anybody has ever shown that. I believe that if you look at funding over a ten-year time and you look at the growth in student population, inflation, and then the increase in low-income kids who are more expensive to educate, then you're still \$5 billion above all those factors for ten years from the state to the local school districts.

Wohlgemuth: Well, not only that but the personnel has increased a little over 70 percent, or at least it did from 1989 through 2009. And the enrollment only increased 44 percent. So we have some other problems in the local districts in addition to what's happening at the state level.

Hammond: The ERG, or Educational Research Group—which is an outfit out of The Woodlands that [Public Education Committee] Chairman [Rob] Eissler is really high on, and they're trying to do something along these lines—they did a study, and people can debate it, but I think it's probably somewhere in the

range of being correct: Just two factoids, if Dallas ISD had the same level of overhead per kid that Houston does, it would save \$150 million per year.

Anthony: The same level of what, Bill?

Hammond: Overhead. And they rated the school districts on about twenty items, is that correct? In terms of financial accountability, if you take the top districts and take the average of the top districts on the twenty items and you apply it to all the districts, you save about \$5 billion. So I think there are lots of things that can be done. You know, we support level funding from biennium to biennium, and I think that's a reasonable outcome given all the things that we are dealing with and that will hopefully force the districts into making some hard decisions about some of the things they are doing. Are they cost-effective? I think they have a tendency to layer programs on top of programs without ever evaluating them.

Silverstein: Well, let's ask this question. There has been a talking point that has been circulating that there is fat in the administrative positions and the nonteaching staff and that that's an inefficiency we need to look at in a budgetary situation like this. I want to turn to you, Superintendent. We have heard that cuts can be made in a lot of ISDs. Is that true?

Anthony: You can cut anything. If you want cheaper education, you can get it. If you want quality education, you've got to pay for it. I think a lot of the staffing increases across the state have been driven by mandates, have been driving legislation and a changing demographic population. I do know that we are number one as far as finances on the ERG go. Our district is, over all ISDs, overall we are, like, number eight out of everything. We are in that bottom quadrant they use to illustrate, but at some point we have to look at, is there any fat? I guess there is fat in everything, but when you look at our district we have 106,000 students, between 13,000 to 14,000 employees—we cut 900 in four years. How many is enough? I think there is a correlation between academic performance and finance. You're right, that it hasn't been determined exactly what it is. It's like efficiency. We keep getting beat up with efficiency, but it's kind of like a unicorn. We all have heard of it, but we have never seen one.

Hammond: Well, but aren't you an example of it? You are telling us—and I believe every word you're saying: that you're doing a substantially better job financially than the vast majority of districts in the state so why shouldn't we set you as the standard for the performance that the other districts are doing with regard to their money?

Malfaro: Yeah, but his reward for this is going to be a \$400 to \$1,000 per person cut.

Hammond: That's not what we're talking about. What we're talking about is the fact that, over whatever period of time it was that ERG measured, you guys came up looking pretty good. So, my question to you is, Aren't there a lot of districts that could take a lesson from you—which is the point of benchmarking—and do a much better job in terms of their expenditures? If they looked at you and said, "As a school board member, how come we are 15 percent above your district when I talk to my superintendent here or wherever?"

Anthony: I will try to answer that with an illustration rather than say should we be an example. I think it's very difficult to have a one-size-fits-all model in Texas. I have a friend who is a superintendent who worked for me in another district, and his district is a high-target-revenue district. They spend a lot of money, but they have 70 percent of their high school kids enrolled in AP courses. So is that not efficiency? When you spend more, you get more. And so I think when you talk about efficiency you can't just look at one model. We have very good people working in our district. All but two campuses out of 76 are exemplary-recognized.

Scott: Let's talk about efficiency as part of the state versus other states. Our African American students on the NAEP [National Assessment of Educational Progress] exam for math tied number one with Massachusetts; our Spanish students were fourth in the last math NAEP. This last science examination, our Anglo students were number two in the nation, behind only the Department of Defense schools in science. We spend \$2,000 to \$3,000 less per average—depending on whose numbers you believe—in aggregate public school expenditures, but our students are top in that metric. To me, that speaks to efficiency statewide. It's the individual district decision. And, Bill, I've gone into districts that are so far in the drain financially. It's local decisions made by a locally elected independent school board that drive a lot of these inefficiencies. And when I go in and say, "You're dying financially, you need to cut these programs," they just resist, until I have to appoint a conservator and take them over and do it for them, because the political pressure locally doesn't allow them to make some of those decisions.

Hammond: Well, one of the possible good outcomes of the crisis—or however you want to refer to it—we're in, is if you don't find growth, then the districts are going to have to make some tough decisions. I think that's not necessarily a bad thing.

Anthony: But it is a bad thing for those that are—

Hammond: Well, life's not fair.

Anthony: It certainly is not. It hasn't been for four years due to an inequitable system that was created arbitrarily and capriciously that made no sense then. And then additional cuts certainly make none now.

Scott: Let me speak to Cy-Fair real quick. Cy-Fair is in Harris County. They could've taxed above \$1.50; they chose not to, and they gave an optional homestead exemption. So from a conservative standpoint, they were doing what we wanted them to do. They were taxing low, and they were providing the extra homestead exemption. They were providing their residents the maximum tax exemption they could. When they took the picture of them, they didn't factor that in. They just said, "This is where you're spending," and they didn't give them any credit for doing different than other districts who were taxing as much as they could around them. Those districts got credit and got a higher revenue target when they had done what we asked them not to do, which was raise taxes and not grant exemptions for home ownership.

Hammond: Well, when you figure out how to take the politics out of school financing, you'll achieve the goal.

McCown: Well, let me back up on this efficiency and put this in a little bit larger frame. I want to come back to the Quality Counts measures. So on the latest Quality Counts, they look at the National Assessment of Educational Progress, graduation rates and your AP exams—how you're doing. Texas, out of the 50 states, ranks seventeenth.

Hammond: On what?

McCown: On how we do on educational achievement, looking at the NAEP, graduation rates, and AP.

Scott: Do you know which graduation rate they used?

McCown: No, I can't tell you right off the bat. But my point is, Texas ranks not so bad, seventeenth. And this goes to the commissioner's point. They do that where Texas ranks 50—excuse me—forty-fifth in family income, forty-sixth in the level of parents' education, and dead last in English-language proficiency. So Texas ranks seventeenth with this extremely disadvantaged demographic to educate, and they do it ranking forty-seventh after you adjust for regional cost differences and spending per pupil. So I think when

you step back and you take a big frame, you have lots of David Anthonys across Texas. The Texas school system is giving you a lot for your money. And the question is, which goes back to what I said earlier, the collision between this low tax and the desire to have strong public education and this question about money. I wanted to say a word about money, which is, money's necessary. It's not sufficient. You can waste money, but if you're going to improve your schools, you're going to have to spend more. I'll give you a simple example: If you cut the dropout rate, you've got to have more buildings, more teachers, and more materials. Just to eliminate the dropout rate for one class costs a billion dollars in an operating year. Kids drop out; we can't afford to educate them. That's the truth, and this constant quarreling about efficiency over a few hundred million dollars when we're short billions of dollars misses the point, in my judgment.

Silverstein: Arlene, I know the efficiency question is one you've talked a lot about. Maybe you can respond to what Scott has said about it.

Wohlgemuth: There's one area that I would agree with David on, and that is one of the reasons we have such a growth in nonteaching staff is because of what is being required of them at the state level, particularly by the school finance program. And I guess I could be said to be fascinated with simplicity, because I believe the more simple the program is and the funding stream is, the easier it is to manage. And our current school funding program is anything but simple. It is so complex that it requires, at the local level, CPAs to figure out how the schools are going to get their money, and not just one but many of them. I think we need to move to reform the school finance plan. And I think that it is achievable, and I think it can be equitable, if we start talking about a totally different way to look at it, which would be to fund the basis of education, the core curriculum from the state level and let the local districts decide how they want to enhance that. But the responsibility of the state is to provide the basic education for the students in Texas. So let's define the core curriculum and let's fund that at the state level, and let's do that on a per-pupil basis and let the local districts decide what they want to do.

Malfaro: But Arlene, isn't that a step away from equity, which is at the heart of what we've been trying to do with it, in the state around education, for the last thirty years? And hasn't the court essentially held that a system like that, that provides the bare bones to everyone and then lets the wealthy community supplement as they are able and the poorer community to not—A) I don't think that's a value that Texans are going to embrace, and B) I'll let the judge rule on it. I don't believe that the state Supreme Court is going to hold that that's constitutional. Our founding documents define an efficient system of schooling, and the interpretation of that has been, there will be adequate and equal access.

Wohlgemuth: But I believe that what the people of this state don't want is the current situation, where we spend more dollars and more of our staff levels and not teaching staff. People want the dollars going to actually the classrooms, and we are one-to-one. We have as many support people and administrators as we have teachers, and the support people make more than the average salary of the teachers. I think the people want to see the dollars going into the classrooms that educate the kids.

Anthony: I'm glad you said that. Let me interrupt for just one minute. In our district, 68.75 percent of the salary goes to the teachers. Of all our total salary, 89 percent of our budget is personnel cost—68.75 percent to teachers; 3.2 percent to central administration; 5.8 percent to counseling administration, student services, librarians; nurses, 7 percent; educational aids, 5.7 percent; all of the auxiliary staff (maintenance, custodial, transportation, clerks, paraprofessionals, educational aides), 9.4 percent. So 69 percent of the salary goes to teachers, about 52 percent, which is the same percent.

Wohlgemuth: You're speaking about one school district.

McCown: The number is no different at—

Wohlgemuth: Oh, no, no, no.

McCown: I've got them right here. If you look, 60 percent of everybody in school personnel is teachers. Then you have teacher's aides, you have nurses, diagnosticians, counselors; then you get up to 65 percent. Twenty-seven percent are bus drivers, cafeteria workers, and janitors. We feed two meals a day to this highly economically disadvantaged population, where over half qualify for free or reduced lunch. You break it down, only three percent of the personnel are in central administration, and five percent are in campus administration. So this is a canard that is really misleading the program.

Scott: Here's what I think. I've gone into districts where I've had to say, "You've got financial troubles. We're going to have to appoint a conservator or an overseer and fix the problem." And I get in there and find out that the secretaries have secretaries. The administrative staff has administrative staff. There are layers of government that build up over time.

McCown: We have 1,200 districts. How many districts have you had that experience in?

Scott: I've had that experience over the years in a handful that have gotten so bad, but I'm telling you that what people, I think, are looking for right now is they're looking to make sure—and David, you tell me: When we mandated bus evacuations, what did that cost Cy-Fair?

Anthony: It cost us \$47,000.

Scott: Forty-seven thousand dollars a year to do bus evacuations. We can cut stuff like that out, and I think that's the exercise that people are looking for. They don't want to kill public education; they don't want to harm it. They just want to make sure that we've evaluated everything and said, "What can we live without?"

McCown: But again, you're talking at best hundreds of millions when what we're short are billions.

Scott: But I think that most people are looking just to make sure that districts have made that analysis, and that's where I started with TEA. I said, "You know what, we're going to start with us." And if I can cut things, and I can go to the Legislature and say, "You asked us to do this last year." We're fingerprinting every teacher in the state of Texas; we're about done with that. Those staff can now go away. We're done with those grants. You know, staff can go away. I think that's really what people are looking for.

Anthony: I think the vast majority of the districts *are* maximizing—

Scott: And I know you have. I know you have already done this.

Anthony: But those other anomalies are just—there are some anomalies. There are bad doctors, bad lawyers, bad ministers, bad schools. I know that. It's a fact, but I wouldn't put them all in one batch and say it's wasteful.

Scott: I agree with you that you cannot paint with a broad brush when you're talking about Texas school systems. Every district is different, but the decisions are made by an independently elected school board. I challenge you all to look at the top districts in the state and the top superintendent salaries and look at the number of kids that they serve. There's no rhyme or reason to it at all, but the locally elected school board decided to make that decision. Now, we can start talking about second-guessing their decision, but we respect locally elected school boards to make that decision.

McCown: But again, you've got a few superintendents that you would quarrel with their salary, and you're

talking, in that case, hundreds of thousands of dollars when we're short billions.

Scott: But I'm saying that that decision point extrapolates out throughout the system. They decide how they want to staff their district.

McCown: When you have local control, you have a certain amount of difference of opinion about what's efficient or inefficient and a certain amount of difference of opinion about what's valuable, invaluable, and a certain amount of inefficiency.

Scott: Absolutely.

McCown: Are you recommending we do away with local school boards?

Scott: Absolutely not. What I'm saying is, I would actually continue that system, but there are means—I think what you're seeing at the legislative level is grasping for some mechanism to push financial efficiency, just to say, "Are we analyzing things? Are we looking under every rock?"

Malfaro: And I don't see that at all. I see that we have folks who want to make radical and severe cuts to public education, and so they're clinging to anecdotes about, "Well, I went to this district and the superintendent made \$20,000 more at the district next door. I went to this district and they have mentor teachers, and those people weren't really teaching kids." I mean, come on, Robert, we've got data from Eanes ISD. We don't have to do the anecdotal thing. We can look and see, and Moak and Casey have done that.

Hammond: Hopefully we will have a bill that—

Malfaro: They've done that on staff, and they've been real clear. In the last twenty years, the percentage of people who work in school districts who are teachers has changed by about two percent, and the auxiliary staff has actually declined a little as the teachers have, as superintendents like David have put in more instructional specialists: coaches, intervention folks to work with the 800,000 new low-income kids that have come into our system in a decade when the state and the federal government have ratcheted up the accountability standards and said, "You're going to get all of these kids over the bar." That's the breaking point.

Scott: You're doing three things now: You're looking at increased economically disadvantaged students, increased English-language learners, and the conversation that no one is willing to have publicly, the cost of special education. As a percentage of budget that is going from four percent to over twenty percent in many districts. The substantive question of this session, I believe, is not just the budget but the expectations we're going to have in the near future with HB 3 implementation. And as I have testified before the committees, "Are you prepared to cut funding but also increase expectations?" There's the disconnect. If we're going to cut, okay, I understand cutting. I've done it. I get it. But when you say we're going to go to end-of-course exams with STAAR, normally when we went from TABS, TEKS, TAAS, TAKS, we jumped up one level in rigor. This is two levels, at least. These end-of-course exams, you've seen the field test data, as I have. It is a whole new world. So, that's the give-and-take that we are going to start with. How do we implement this system in a way that is efficient and fair with the recourses we have?

Hammond: I think we can examine a lot of savings that the state has mandated, and I think the school establishment hasn't done a very good job of articulating the costs that are actually directly imposed upon them by the state. We support relaxing 22:1 in K through 4. I voted for it a long time ago, and it was a politically derived number. I don't think it gets you any gain and causes you a lot of pain and suffering. So let's relax that, but let's come forward with all the things that the school districts think they should be

released from. Our formula is that we should hire professionals and let them run the shop, but they should be held accountable for their performance. The other thing is—and I think this is true, but you'll know better than I—but isn't it true that the Austin school district has made decisions not to close down schools, which are at 40 or 50 percent capacity and they're letting personnel go, rather than consolidating schools? Is that correct?

Malfaro: I don't know if the school enrollment is as low as you're saying. It is true, though, that there are under-enrolled schools.

Hammond: Right, well, didn't [AISD Superintendent Meria Carstarphen] want to do some consolidation, and they said no? Because of the politics?

Malfaro: She appointed a committee, which made recommendations to close some schools that were actually not under-enrolled. Then when they looked at the numbers, they realized that in the first year, the savings were going to be nowhere near enough to cover the anticipated shortcomings. But facilities efficiency isn't the important issue. I want to take issue with something you said, Bill, that class size doesn't matter. There is very strong, compelling research that class size does matter, and not if you went down to the very small classes. There's ECP [Economic Policy Institute] research on reading in high school that shows that as you increase class size, students are affected negatively, especially low-income kids and English-language learners who we know are on welfare.

Scott: But when you give a superintendent that reality, then you've just protected K through 4, and everything else goes up. Does the research show that that harms the student in ninth grade?

McCown: But, Robert, what you're talking about is how you live inside an underfunded system. And David makes this point eloquently and I will concede to you, that if we are going to cut \$8 billion or \$10 billion, then we are going to have to adjust class size, because that's the smart thing to do. That's not the question that Texas monthly is asking us. They're asking us, What do we want to do for public education going forward? What I want to do is move from 1:22 to 1:18. I want to make an investment so that we actually increase our education achievement.

Wohlgemuth: And I would like to know where the money is going to come from to fund the kind of plans you are putting on the taxpayer. What are you going to tax? What is going to happen to job creation in the state with the tax increase?

Anthony: Well, on job creation I think it's a bigger picture, because I think we are getting caught up in what the Legislature is caught up in now, where everything is based on two-year snippets. How can you survive until the next legislative session? How can you get through the next two years? Which is how the target revenue system came about. It was supposed to be a temporary fix until the next session, but then it got stuck there and it's still there. We've got to have a vision. What happens in the next generation and then the next generation, and it's got to be a cooperative effort with business and taxpayers. There are two questions, and Judge McCown has given one of them. One question is, Does Texas want to have the lowest taxes in the nation, or does Texas want to have a quality educational system? Doesn't mean you have to have the highest taxes, but you have to be up at the point where business, citizens, and educators work together for the appropriate number. Second point is one that Bill brought up. Do we believe in our accountability system, or do we not? We have an accountability system rated an A+ or an A in the nation, one of the best; then we come back and want to put an accreditation system with mandates of 10:1, 22:1, this much for this, this much for that, and everything's propped up. You can't have it both ways, because that costs a ton of money. But if you have an accountability system and you hold people accountable—superintendents, principals, and everyone else—you get kids to where we want, and you believe in the accountability system, you can drop all those recipes that we get mandated from the state that drives personnel costs,

budget costs, and everything on top of it.

Wohlgemuth: So am I hearing you say that you would be just fine with the amount of money that you're getting now, if you could spend it how you wanted?

Anthony: No, I wouldn't. I think we're underfunded. We're forty-fourth or forty-fifth in the nation in expenditures per pupil. I think we're a low-expenditure state. I think coming up with a great efficiency model would be great, as long as you understand that one size does not fit all. If I had it the way I wanted it, I would lower the tax rates and then I would also have small class sizes, because I can tell you, as you get more and more economically disadvantaged students—we were at 49 percent in 2010 and now we're at 59 percent—those kids are going to need more contact, early on, especially. But I want the latitude if I'm going to be underfunded to use the resources the way I need to use them and not be told how to do that from the state.

Scott: I would agree with you on this on this point as well to say if we are going to hold you accountable for student performance, whether it's at the state or federal level, why the heck are we making you do a Title 1 consolidated plan that has to be submitted to Washington every year? If the goal is student performance, why do you need to spend time and resources developing a five-year plan just so the feds can look, or it just becomes a fancy doorstep? And I think the same thing at the state level. I'd rather just look at you and say, "Here, I want to hold you accountable. I don't want you to have to do a bunch of unnecessary paperwork so we can sit and stamp and put it in our file."

Hammond: I don't follow it as closely as you guys do. I don't think that either TASA [Texas Association of School Administrators] or TASB [Texas Association of School Boards] has done a good job of articulating all the costs that are mandated by the state of Texas, so that it can be a broader effort. If you look at Eissler's HB 400, how many things can be added to that to give you more freedom and flexibility?

Anthony: Actually, TASA has published a list of underfunded—

Hammond: They have?

Scott: They have.

Hammond: Okay. And how many of them are in Rob's bill and how many of them aren't?

Anthony: Not many. There's some in there. It's a good start.

Scott: You've got integrated test management in there. You've got—

McCown: But see, Arlene looked straight at me and asked me the central question of the evening, and immediately we went back to talking about efficiency. That's how invidious this efficiency discussion is. So, Arlene asked me, "What would you tax and how would you have job creation?" And what I would answer is, I don't share your idea or your theory about how a state creates wealth. The Federal Reserve has done a study that shows that rising per capita income and high per capita income are most directly a function of how well your population is educated and how many patents come out of your state. What I want to do to make Texas wealthier in the long run is have a strong educational system that produces folks who can be entrepreneurs and information technology, and small businessmen and get out there and make money. That means education, and if we make the wise investment in that now, we come out ahead. So I'd either expand sales tax base with some way to deal with regressivity. I would expand our business tax and fix the structural deficit. And in the long run we need personal income tax in this state.

Silverstein: Well, Bill, I want to throw that to you, because obviously the first part of what Scott said sounds like a dream come true to you and your constituency, that we should have the most educated workforce in the country. So where, if anywhere, do you divert from Scott?

Hammond: Well, I don't think it's a matter of more money. I mean, I think it's a matter of expectations and a better accountability system and holding the districts accountable. One thing I started to say is—and I have no idea whether this is true in your district or not, so you can view it if you want—I think too many school boards are captive to superintendents and don't hold them accountable for their performance. I mean the superintendents, their main job is the care and feeding of the board. And I think it's true for state agencies as well. It's not true for the TEA [Texas Education Agency], because you don't have a board. The State Board of Education doesn't really—they don't oversee the agency. But so many agencies have a set of people who gave the government a lot of money as commissioners for board members or whatever, and they become advocates for the agency just like the legislators. One of my biggest arguments towards the legislators is that they become representatives of institutions instead of representatives of the people. They are more worried about UT than they are, or A&M, or whatever, than the people that are paying for it, or who are going there, in my opinion.

Silverstein: And I want to talk too about this idea of closing the achievement gap. This idea that our populations are diverging. In your estimation, are we closing that gap?

Hammond: No, it's going the other way, because I think, actually, that the establishment in Texas, the business and civic leadership, does not understand what's happening to low-income Texans in terms of getting educated. I think the number one public priority is to get more minorities into and out of high school with a diploma that means something, and I think a lot of people who look like me, quite honestly, you know, are like me, in the sense that our family is blessed. All three of our children graduated from college. One of them went beyond that. They got brains from their mother, so they're succeeding, and a lot of people's perspectives are pretty narrow, and they look at that. You know, Sally went to A&M, and their son went to UT, and everything is all right with the world. They don't get what's going on. [Former state demographer Steve] Murdock said it the other day, at the rate we're going, 30 percent of the adults in Texas in a few years will lack a high school diploma. That is scary. As far as high school, college, and beyond, two-thirds of the jobs of the future will require some postsecondary, and so we've got to get a lot more kids into and through high school and to some postsecondary.

Anthony: Well, I think that, that is just what Judge McCown said as well, the fact that we've got an uneducated workforce. We've got to have kids career and college ready, and I think that we are making strides, but we're not nearly where we need to be.

Hammond: Only about, and you can correct me, is “commended” relative to “career or college ready” on the TAKS?

Scott: It will be.

Hammond: Well, I know you're going to “career or college ready,” but it's about 22 percent of high school graduates today are career or college ready?

Scott: Right about that. We're setting the performance standard at 25 percent to be “exemplary” and 15 percent to be “recognized,” and we set that commended performance as our new goal for the accountability system.

Anthony: That's a good point, because that's what the goal ought to be for every kid, not because they need to meet expectations, but to be commended. You know you can only miss two or three questions at the

most on the test to be commended. If you miss one more than that you're not commended, yet you're right there, so it's kind of a pass or fail, 90 percent or else. You're either commended with 90 percent or above.

Hammond: I'm not really trying to make the point of the failure of the TAKS testing system. I'm trying to make the point that there is a standard that the commissioner is working on to establish what is a career- or college-ready standard. And I'm saying that roughly today, and you can argue the exact number. Only about 22 percent of high school graduates are career or college ready.

Anthony: According to a measure.

Hammond: But is that true or not?

Anthony: I don't know.

Hammond: Sixty percent of the kids who graduate from high school have to take remedial courses at the community college.

Anthony: And that's another subject we need another dinner on, because there is no standard measure for determining from institution to institution or even colleges within institutions what causes a kid to take a developmental course.

Scott: Developmental courses are a cash cow for institutions.

Anthony: That is not a standard, and there is nothing across the state or even within the system that make that a true statement even though—

Malfaro: So there is some consensus here that achievement, even though, you know, Robert pointed out and so did Scott, that on some measures Texas is doing okay and even better than okay, we're still not satisfied with where our achievement is. And Murdock has taken current achievement gaps and superimposed them over the demographic of the future and said, "If you don't break out of this cycle, then you're going to have fewer high school graduates, lower-earning Texans, and a worse economy. "And so, is our policy prescription for that to cut funding from public education? I mean, this is, it's so crazy, you know, that the question almost doesn't get asked.

Nate Blakeslee: I'd like to hear Bill say what he thinks the level of funding that is currently in House Bill 1 would do to our efforts to close the achievement gap.

Hammond: I think it would devastate it. I think it's totally inappropriate. I mean, our goal—we have gotten out there and we've said, we need to spend the Rainy Day Fund. We need to do smoke and mirrors, so that at a minimum we get to, in the next biennium, a level of spending roughly equivalent to the current biennium, and that does not fund growth. I mean, I get that part, but at least it gives the districts a fighting chance.

Silverstein: But even that has a prescription for more spending than you would approve of, Arlene.

Wohlgemuth: Well, you are assuming that next session that we're going to be in the sunshine again and out of the rain, and I think we end up in a worse situation next time if we spend all the Rainy Day Fund. We've got to look at ways to change the dynamic of what's going on.

Anthony: Well, Texas is going to have to make a decision at some point. There's got to be another revenue stream. We're going to grow 800,000 kids in the next ten years. I mean it's not going to be status quo. It's

not going to be the same kids coming in. It's going to be higher standards by that time if we keep ratcheting up. You know, we're twenty-third per capita income in the nation right now. It's not like we're—I mean, I know we're a better place to be than a lot of states, but already we're in the middle of the pack, per capita income. If we don't invest in public education, it's the old commercial: You can pay me now or you can pay me later, because I can tell you that undereducated kids cost more in the future than those we invest in an education that is quality and prepares them for the coming years. And what we've got to do is work, instead of acting against each other, we've got to work together in business, community, taxpayers—everyone understand that if we don't invest in public education, Murdock's picture and projections are going to become a reality. In two generations we're going to be Wal-Mart not Macy's or Neiman Marcus. That is not what we want.

Wohlgemuth: But we are investing more. We're investing more than we did twenty years ago on an inflation-based analysis. I mean, accounting for inflation, we are investing more per pupil than we were twenty years ago. Why is it that we have to exceed the growth in student population so dramatically, with 44 percent growth in the number of students and 71 percent growth in the number of personnel? Why is that dynamic going on? Why is it such a gap?

McCown: Well, let me offer you a reason, and what's different about twenty years ago. Twenty years ago we were educating a much simpler demographic to educate, and we were undereducating even that demographic. What's changed is, we have higher aspirations and we've actually addressed the equity problems we had. A big difference between now and twenty years ago is that we've put money in to bring our bottom schools up toward our top schools.

Wohlgemuth: You're making my point. We are investing more money.

McCown: We are, but that doesn't mean that it's adequate. We're still forty-seventh in the country compared to our sister states, and it's still not adequate to educate a demographic that comes from homes that are forty-fifth in income, forty-sixth in the level of parents' education, and fiftieth in English language. We have a huge challenge ahead of us, and you can't just say, "Well, we were there, and now we're here." You have to look at what it is you're trying to accomplish.

Wohlgemuth: I would like to challenge the assumption that our people are getting poorer. I asked specifically the state demographer after his testimony before the Public Health Committee to answer that question, because I had heard that our increase in population was disproportionately poor. And he didn't—he sent me a lot of material, none of which supported that theory.

McCown: Our children are getting poorer. The children in our public schools come from families that have lower incomes.

Anthony: Our future is getting poorer. Only about 30 to 33 percent of people in Texas have children in public schools, but of those children who are in public schools, about 59 percent are economically disadvantaged. So they're coming from—

Wohlgemuth: What's the definition of economically disadvantaged?

Anthony: That would be the federal standard of being eligible for free or reduced lunch.

Wohlgemuth: Right. Okay, and I challenge that as well.

McCown: Why do you challenge that, Arlene? That's a very low family income.

Scott: Couple of things, though. We talked about the achievement gap. If we were to keep the achievement gap expectations in place and continue to administer the TAKS test, we would continue to close the achievement gap at a much greater level, because we topped out on that system. But the question is, What do we want to do to improve the system? Do we raise expectations to the next level? That is going to require some resources. It's going to require some reprioritization of what we're doing now, but education can overcome that poverty level. I've been down to the Valley, I mean, just right on the border and watched the children of three migrant farm workers—all economically disadvantaged, all getting full-ride scholarships to universities through a charter school called IDEA Academy, down in Donna. I mean, that's the kind of thing that gives me hope to say, even if we are getting kids from families that are living in poverty, that the quality of education that they get can propel them beyond that. That's where Murdock's model—I don't know if it's dynamic enough to assume what changes we are making, accountability, and how that might strap away not to just family income but expectations.

Hammond: The other thing among public schools, if you look at the data just from Just for the Kids—which doesn't have as great data as it used to have—but even as simple of data as they have now, they chart poverty and academic performance. Is that right? Is that how it goes? Yeah, right, and the graph goes like this, you know: As your percentage of economically disadvantaged increases, your academic performance goes down. It's a 45-degree angle. But the point is, in the upper-right-hand corner, you've got some schools that are public schools that are knocking the socks off, so they are doing the job with the same kind of money, roughly. It's not a perfect comparison, but you have school districts, public school districts in Texas that are roughly funded at the same level as the other districts that are doing the deal. And to me, that's about leadership and that's about expectations.

Silverstein: And certainly it can be done. I want to come back to something that you said, Bill, which was that the funding levels that were set in HB 1 would be devastating. But Commissioner, you've been over there and testified. I'm wondering if you can talk a little bit about—clearly there's an appetite to spend, but even the amount of money that Bill's talking about spending does not seem to be there.

Scott: We all recognize that there are going to be cuts. It's how we prioritize them and what we expect of school districts as we move forward that's the bargaining situation we're in right now. I testified that based on the current level budget, for me to increase standards to the next level, a \$6 billion restoration, which is still a \$4 billion cut, puts me about where I think the system needs to be to increase standards. I also believe that you have to fund textbooks. The State Board of Education gave the Legislature \$2.9 billion out of the permanent school fund. That money needs to be spent to make sure the instructional materials are in the hands of kids before they're held accountable on an assessment system, so I'm very glad—

Hammond: We support fully funding the proclamation to include pre-K in ESL, which is questionable whether they'll include it or not.

Malfaro: Right, but those are—Pre-K is even getting cut in the Senate's bill.

Scott: The Foundation School Program is still there. It's the expansion grants, but they put back in Article XI, at least on the wish list, I think, \$154 million expansion grants.

Malfaro: Yeah, on the wish lists, which is the stuff we should be paying for if we could find the money, if we could get the governor to draw down the \$835 million dollars.

Scott: Oh, don't get me started about that.

Malfaro: That is apparently—this is the only kid in the state that can't get his homework done.

Scott: No, actually I signed that form.

Malfaro: Uh-oh.

Scott: I signed it once, and they sent it back to me. They said, "You can't give me the constitutional assurance that you're going to spend that money." And I said, "Of course not. I'm the executive branch of government. The executive branch of government does not appropriate funds any more than the executive branch in Washington, D.C., can guarantee Congress is going to appropriate funds."

Malfaro: We've been trying to get a copy of that letter.

Scott: I have it. I'd be happy to give it to you.

Malfaro: All right. Good. I think if the governor were to send a letter up to Washington and give the assurances that they've asked for—

Scott: Until the budget is done, how does he do that? Based on a maintenance of effort from last biennium to now, how does he guarantee the Legislature is going to appropriate that money?

Malfaro: He guarantees that they don't cut education any more.

Scott: He can't. The Legislature is the body that appropriates the funds.

Malfaro: Then he sends the letter the day that the session ends and the budget's done.

Scott: Then that money is ours in two weeks. Once we get to that level and they pass the budget and I can say, "Here's the money; it's in Article III, and it meets the maintenance of effort," we'll send that letter off and \$830 million will come our way. But when we get it, we're treated different than every other state in how we allocate it, so that districts that get the money are urban, inner city, and more represented by Democrats than rural and suburban that are more represented by Republicans.

McCown: Now that's how they divided the money.

Scott: I used to—I drafted the Title I funding formula. I know how it works.

McCown: They didn't say, "Let's send this money to districts that have more Democratic representation."

Scott: It's a Title I funding formula.

McCown: Exactly. They said, "Let's send this money to Title I, which has more poor kids." But let me say something just to show how intellectually honest I am. I think the governor was correct that he could not give this assurance legally under state law, and so I say that to establish my intellectual honesty.

Hammond: It was never in doubt.

Scott: I appreciate that, and I will correct myself and say it's not a D or an R issue. It's a poverty issue. You're absolutely right, Judge. How the Title I formula works is, "I helped work on the formula when I was a kid essentially." But the point is that we were treated differently and that the inequity created by using Title I—it was much more equitable per districts in Texas. Plus eight hundred districts would be better off using the state formulas than Title I, so I appreciate your acknowledgement. I will grant you back mine, and I think we can probably have a longer conversation about that.

Hammond: It's clearly a bad case of politics on our part.

Scott: It was a bad case of politics.

Malfaro: It was not. Our state took federal stimulus funding and replaced a state funding.

Hammond: And the other states didn't do that?

Scott: Wait, wait, wait. Can I—

Malfaro: And left money for a Rainy Day Fund. Now we are having trouble getting a political consensus to spend.

Scott: But if we would have done what [Congressman Lloyd] Doggett said he wants us to do, we would be \$6 billion worse off on this budget deficit than we are today, because we would have spent the stimulus money above the baseline budget and we would have drawn down the Rainy Day Fund to cover our budget hole last time. So we would have had \$2 billion to \$2.3 billion less in the Rainy Day Fund today, plus we would have increased the baseline budget by \$3.2 billion. We would be far worse off today had we done what the congressman wanted us to do.

Malfaro: Well, we would be far worse off in terms of our reserves. We would have actually invested the stimulus money in the way it was supposed to be invested, in the way now economists are telling us where it was invested properly. We would have had a positive impact on—

Scott: We invested the way every other state did. We were approved by the U.S. Department of Education for our plan, because we adhered to the law. There was a \$2 billion hole in the Foundation School Program last session. Yes, some of it was used to fill that budget hole. Some of it was also used to create a teacher pay raise for two years that created—you want to talk about structural deficit? Every school district has a structural deficit, because we mandated a pay raise using onetime stimulus funds. But that was really popular, and people wanted to do it last session.

Anthony: Who wanted to do that? It must have been in the Legislature. I don't remember anyone asking for that, because it's the gift that keeps on taking, because we're obligated to that raise from now on.

Scott: Yes, sir.

Anthony: We've essentially got a net loss funding last year.

Hammond: Well, the Texas Legislature has no business whatsoever setting or impacting teacher salary.

Malfaro: I agree. We should have collective bargaining in every school district in this state. Teachers should be able to sit down with their superintendent and negotiate a contract.

Scott: It's funny you mention that, because that's where I believe the home rule school bill will actually wind up. When you wind up with home rule school districts—your teachers, when they start losing bargaining rights are going to wind up organizing. I think that's where you wind up.

Malfaro: I don't think that bill is going to make it out of both chambers.

Scott: Well, you never know. I think if you do start, and teachers start losing planning periods and duty free lunch, what's their tendency going to be?

Malfaro: Why don't you talk to Rob Eissler about writing that into the bill?

Scott: I'm not going to advocate that. I just think that's the natural reaction of teachers.

McCown: But to kind of come back a minute on the \$830 million that Congress has set aside for Texas—I hope that between now and September, when that money gets swept back up into the federal treasury, that the state and Congress and the Department of Education can figure out a way to get that money, because we need it.

Hammond: I think that the Legislature should not only get out of the salary business, but they should repeal the law that says the districts can't reduce the salaries by even one percent. They have to lay off teachers. That's ridiculous that there's no provisions for furloughs and they have to lay off teachers. But I would finally do away with the contract system entirely and go to an at-will system of employment. Today in Texas, if you want to get rid of a teacher, and you follow everything, every prescription, one of the things they can do is appeal to the commissioner, which is completely ridiculous. But the other thing is I'm told, you're talking about \$15,000 to \$100,000 in attorney's fees to remove an incompetent teacher. Is that true?

Anthony: It would cost at least that, to go through all of the administrative appeals and everything once you go through the hearings. By the time you go through that process it would be about that.

Malfaro: How many times a year, David, would you say you have that, where you're spending in excess of \$100,000?

Hammond: We don't do it, because it costs so much money. It's very difficult to. The at-will system has been the engine of success in the free enterprise system. The at-will system is a double-edged sword. I don't believe you understand that as a manager of an enterprise or a business, as I am, I have a duty to create a workplace where people want to come to work. Otherwise they'll go away.

Malfaro: So, taking away a teacher's contract doesn't strike me as a way to attract people into a profession.

Hammond: I think it does.

Anthony: Everyone automatically assumes that we're going to fire a teacher.

Hammond: You can't do it. I directly disagree.

Malfaro: But the contract exists to protect the district.

Anthony: We need the contract, but we don't need the salary.

Hammond: Why do you need a contract? Why don't you operate like every other business in Texas does?

Malfaro: We're operating like every other state in the Union.

Hammond: No.

Malfaro: Yes, we are, and the difference is—

Hammond: I didn't say every other state in the Union. I said every business in Texas.

Malfaro: Right, right, but a public school system isn't a business, Bill.

Anthony: Let me say one thing. I think it goes back to what, I can't remember, the commissioner or the judge said, about boards. Boards are a different dynamic than a normal business board of directors, and I think that there has to be some protection for teachers and employees that's available. I think it could be less arduous.

Hammond: Why don't we leave that decision entirely up to you as opposed to having the state tell you the terms and conditions of your contract? I mean your contract with your teachers. I'm not so worried about administrators.

Malfaro: When the education code was re-adopted in the mid-nineties, Senator Bill Ratliff addressed this very explicitly when there was an attack on contract rights. "Let's go to at-will." And he said, "We do not allow public school employees to collectively bargain. We are one of a handful of states that actually prohibits that." Therefore, in state law, we've built in basic contract protections for people who, after passing through a period of probation, approving time, have been offered permanent employment. Can they still be laid off under a reduction enforce? Yes, they can. Can they be fired for cause? Yes, they can. Now, I did this for twenty years. I worked with lots of teachers who, because of performance reasons, quit. I worked with some who were getting fired for the wrong reason, and having due process was important and critical. So I don't for a minute believe that by lowering the standards for the profession —

Hammond: I'm not talking about lowering the standards for the profession. That is a false characterization of what I'm saying. And another thing I said, you know, if you don't have a contract —

Malfaro: Making the worker at-will is not a lowering of the standard?

Hammond: The standard for what? The profession of teaching?

Malfaro: Absolutely.

Hammond: I think not. I think that —

Malfaro: "You're a hired hand."

Hammond: Every business in Texas has an at-will relationship with most every one of their employees with very few exceptions, in the private sector. And just real quickly, you said it would tend to not attract the best and the brightest. I disagree entirely with that. I think it would actually have the effect of attracting and keeping the best and the brightest if the districts could do a better job of rewarding for performance. One thing that could be added to that is if I have a question of, Do I want my kids in a small classroom with a lousy teacher or in a bigger classroom with a great teacher? I'll choose the great teacher.

McCown: How about a smaller classroom with a great teacher?

Malfaro: There you go.

Hammond: There are realities with how much money we've got.

Malfaro: Last week I attended a summit in New York City. It was sponsored by the U.S. Department of Education. They invited the sixteen highest-performing countries in the world on the PISA [Programme for International Student Assessment] exam to come meet with [U.S. Secretary of Education] Arne Duncan, and they asked each of them to send their administrator of education and the president of their national

teacher's union. And do you know what? Every one of those countries has unionized teachers with collective bargaining rights and contracts, except one.

Hammond: Well, they also have socialized medicine. I don't endorse socialized medicine.

Malfaro: Except one—Singapore. The Chinese were the only ones that didn't come with their union counterparts, and we know why that is, right?

Hammond: They don't have a union.

Malfaro: They don't have unions. They're not a democracy.

Hammond: Comparing communist China to America and the locally elected school boards are going to somehow, you know, somehow mistreat their employees, because if they don't have a contract, those employees won't show up the next day, and the superintendent or principal is going to have a hell of a problem.

Scott: As I said earlier, the contract protects both the district and the teacher. One of the worst things I've seen recently—I think it was in Eanes—a teacher left to go work at Akins High School, and the district went crazy, because it was past the contract negotiation period. And there was a big tussle between Austin and Eanes over whether or not that teacher had violated their contract rights. But let's go back to what you were saying, even absent contract rights, public employees, all of my staff and myself are at-will employees. As I'm going through this reduction in force, I'm still cognizant of due process, equal protection, and EEOC claims, because those will still exist absent of the contract. But I agree with you, we built the contract in as a protection of the district and the teacher, but even absent of the contract, there are still common law protections for employees.

Hammond: In New York City, 55,000 teachers—and two years ago, I know it's not analogous, but seven teachers were removed for cause. More teachers die working for the school districts than were let go, and in Houston, according to a school board member, there's how many teachers who are not teaching and are in limbo, the equivalent of a rubber room? Something like two hundred, I believe.

McCown: Yeah, I think this conversation really misses the point about teachers. My father is a lawyer; my mother was a public—now retired—public school teacher. My mother is much smarter than my father, and my mother became a teacher in a time when that was all that women could do. We've essentially had a subsidized labor force, because women didn't have opportunities. Today in Texas, the average salary is a little over \$49,000 a year. If we want to attract the teacher core that we need—and I'm not saying we don't already have a lot of good teachers, but I'm talking about attracting and retaining. A lot of smart people start, and they leave, because the job doesn't pay. We're going to have to increase teacher salaries, and I'm a big believer in performance-based pay, which all the studies by the experts show costs more money. You can't do performance pay on less money.

Wohlgemuth: Teachers do not leave because of pay. When they are surveyed, pay is not at the top of the list. They leave for other reasons, other than pay.

Scott: Lack of administrative support and family.

Malfaro: And it was interesting at this international symposium what we heard. The focus was teachers, the teaching profession. We heard over and over again about the amount of training, support, mentoring, interning, and even screening at the front end. I have to admit I kind of blew the whistle on Texas a little bit,

because at one point I was able to ask a question, and I told them I come from a state where when you drive down the highway there are billboards that say, "Do you want to teach? When can you start?" A state where more than half of the people entering the profession this year entered through some alternative certification program. Not that alternative certification is a bad thing—my wife is an alternatively certified bilingual teacher and now counselor—but after sitting through two days of listening to the educators from Finland talk about how only the top 10 percent of applicants even get in to teacher prep, nobody enters a classroom before five years of college, which includes getting a master's degree—

Hammond: Eric Hanushek, who is a respected—you probably disagree with him.

Malfaro: I do disagree with him.

Hammond: But he says that if we were to remove, I think, 6 or 8 percent of the teachers who are at the bottom in terms of productivity or whatever, that we could have a school system in America that was equivalent to that in Finland.

Malfaro: So I asked that question, because I said, "Are there any countries here that use performance metrics on individual teachers to sort out the low performers and get rid of them?" And you know what, none of them are doing that, not one of them.

McCown: But they are paying them much better.

Malfaro: Not just paying; they are training.

Hammond: I don't think they're paying them. I think it's a better, more respected profession.

Wohlgemuth: Now, how discouraging is it for a good teacher to be in a classroom and be working himself or herself for hours and hours and hours to excel in the classroom, and to have their students excel and have the person next door not doing dip-diddle and getting the same pay? And that's what contracts lead to, that's what unionization leads to. We need to have the performance rewarded, but there needs to be no protection for those that are not performing.

McCown: None of those teachers' surveys say "I left, because I was doing a great job and my colleagues aren't doing a good job." What those teachers surveys say is "I left because I have a lack of support. I have too many kids, and I'm not appreciated." That's not unrelated to money. If you pay me a lot more, I'll live with a lot less support.

Scott: Well, you could also see that in merit pay programs where they say, you know, the retention effects of the day program are actually starting to be seen and are having a very positive effect on teacher retention.

McCown: Which we're eliminating. In the budget.

Scott: It's my third restoration. I'm begging for it.

Hammond: We shouldn't eliminate it.

McCown: I agree, but let's note that under this budget we're eliminating our teacher incentive pay program.

Scott: It's actually—it's on the wish list in Article XI, so there's hope alive.

Anthony: New teachers will all be better if they're given enough support early on, and especially in that first five years. And if you're not providing that, because you're cutting that central office of those

administrators or those coaches or those mentors, because you can't afford them and they're not classroom teachers, what we're telling them we need to cut—nonteaching people, they are providing significant support for those teachers—that will also burn your new teachers and those teachers who are trying to come back.

Silverstein: Here's a question: We've circled around this a couple times—whether money equals a better education? Whether if we spend more money it will improve our education system? We all agree there are efficiencies to be had, however large or small they may be. But I want to turn it to you, Superintendent. You probably have the closest view of that question, and—because, really, what we're talking about at the end of the day with the budget is, if we take money out, is the education we're giving our kids, the quality, going to decrease? So the question is, Can we equate spending money with a better education?

Anthony: I don't think that giving you all the money you want makes your school better. I think that there is an amount of money that is appropriate. I think pre-K ought to be fully funded, so there's not enough money there. If we'd invest in universal pre-K, the state would be significantly better off. Every kid should go to pre-K. I think that when you look at the disparity in funding in districts, you bet you can do a better job if you can have the appropriate amount of money without having to eliminate position after position. So I think there is a number that works in a district, but I don't think there's a number that works in every district in the state.

Scott: That's a big point there. Huge point.

Anthony: You know the reason we don't have that is because that's not easy. The Legislature is not going to do that. Every time we have a select committee it goes on and on and on and nothing comes out. It's not easy to develop a system that meets specific needs that can be applied appropriately across the district or state as diverse as Texas. If you say we're going to give everybody this much money, that does not work. A Houston is not the same as Eanes, nor is it the same as a Cypress-Fairbanks. And so, there has to be a system based on appropriate expenditures on pupils across the state of Texas, and we're not there. I mean, if we were there we wouldn't be forty-fourth or forty-fifth, whatever the judge said. We'd be twenty-fifth or in the top half or top 10 percent of the United States, but Texas is not. We pride ourselves on funding as low as possible and giving the biggest bang for the result. So yeah, the money will make a difference.

Hammond: The Legislature has made public education a priority. I don't think we take pride in the lowest funding. I mean, the Legislature has given a lot of money.

Anthony: When you're forty-fourth—

Hammond: Was that adjusted for cost of living?

McCown: Forty-seventh is adjusted for regional cost of living.

Scott: But what David is saying is really important. I'll give you a clear example. Back when we first started this discussion of efficiency, the performance reviews were going on. One of the first ones that was done was an analysis of district expenditures, and they blasted Midland ISD for their water bill in comparison to Corpus Christi. Well, it rains in Corpus Christi. You've got to water the grass in Midland. Our state is huge, very diverse, and very disparate in terms of the population that we're educating in different districts. So David is absolutely right. There's not one magic number for every district, and you compound that with local control and local priorities, and, yeah, you're going to get inefficiencies. You know, should we have a system that tries to drive us to more efficiencies? Sure, but you've got to respect the local school board. David is right. There's no one number for every district.

McCown: But that's not what we fight over in the Legislature. I mean, we do have to have a good system for sorting out the cost of education differences by district and by student. But in the Legislature it is a fight between the haves and have-nots. And to come back to Arlene's formulation, you know, there are the folks that just want the state to fund the basic and let the wealthy districts like Alamo Heights and Highland Park run off with the money, and there are the folks that want it divided fairly, taking into account these cost of education differences. I think we have to divide it fairly.

Anthony: No one has ever defined that. What is the cost of quality education?

Scott: And not just between districts, within districts. I live in Austin ISD. Both of my kids go to Austin ISD schools. Kids on the east side deserve the same as kids on the west side. It bothers me to no end.

Anthony: You betcha. But that doesn't mean they get the same stuff.

Scott: No.

Anthony: It means it costs more money. You have to put the greatest resources where the greatest needs are, make sure you get them all an equal opportunity. But it's not equalized funding even within districts. People don't get that either.

Scott: People don't get that, yeah. That's a *big* deal.

Wohlgemuth: You will never achieve that in a system that is bound by the monopoly. We have the charter school situation to point to. Charter schools are not the answer for everyone, but charter schools are predominately attracting those low-performing schoolkids, and the waiting list is astronomical. Why do we have to have a waiting list on charter schools? Why is it that we're not funding that particular option for kids? Why do we not let parents choose where their kids can get the best education? Why are we limiting charter schools that are appealing to our high-risk kids, that are taking care of a population?

Anthony: All of them aren't.

Wohlgemuth: No, they are not. They are not all one-size-fits-all, but they are an option. And there are other options that I believe are not being explored as well, using technology. There are many programs that have had tremendous impact through digital programs, through online learning. We're not taking advantage of those opportunities.

Anthony: Part of the problem with that is we create policies that restrict the ability to maximize the use of the virtual courses.

Wohlgemuth: We're on the same page there.

Anthony: When you get a bill in the Legislature that says you've got to have 90 percent seat time to get any credit on any course. You've got kids on 24/7 virtual courses to earn the credit, and yet they've got to sit in a seat for 90 percent of the school year to get any credit, because of funding issues or other issues.

Scott: Because they're terrified of fraud.

Wohlgemuth: See, there we agree on another point.

Anthony: Hey, that's two.

Wohlgemuth: That's two.

Malfaro: You jointly digressed away from the question, which was, Does money matter?

Anthony: Well, yeah, it does matter.

Malfaro: Bill, you were asking me about Eric Hanushek. When I studied at the LBJ School—Robert was not my professor there at the time, but Chrys Dougherty was, from Just for the Kids—and so my econometrics project was kind of a meta-analysis of Eric Hanushek's work, and Eric for years has been making the argument that money doesn't matter. That proximity to the Canadian border is a greater predictor of student achievement than money, which I don't know what that says about us here in Texas—

Anthony: We were smart enough to get out of the cold—

Malfaro: But money does matter. Think about this: When I started at the university, I was a high-achieving high school student, and I was the oldest of six kids. My parents didn't have a lot of money to send me to school, so I worked very hard and got an ROTC scholarship. The Navy paid for my tuition. It was very competitive. I had to go to interviews, take tests, submit letters of interest. What if we had an ROTC for teachers? What if we had a program where we said, "We really want the best and the brightest. We're going to create a full scholarship for you to come to the university, where you can study your content area, whatever you want. You want to study history, you want to study English, you want to study engineering, and you can also study pedagogy. You are going to get a five-year degree, you are going to be a master teacher. Woven throughout your experience at the university will be practical, hands-on experience—in schools, working with kids, working with teachers—so that by the time you finish, you are fully prepared and ready to go." That would be expensive, but high-performing countries all around the world are doing that to get high-quality teachers.

Hammond: Well, Teach for America is attracting the best and the brightest.

Malfaro: Teach for America has a great front-end model where they bring in students from our top-tier universities. But, it's like the Peace Corps—they sign up for two years and they're done.

Hammond: Wait, wait, a lot of them stay in teaching. But a lot of them, after teaching—

Scott: A lot of them become educational leaders like Mike Feinberg [co-founder of KIPP]. But your model is going to have to presuppose a certain number of mandatory years teaching. Otherwise there's a huge freeloader problem. Where people would get the degree and move on to elsewhere too. So you would have to mandate, I think, in your model, some years of service—

Malfaro: Maybe a year for a year, so you have to teach for at least five years. But here's the thing: Other countries are also not throwing up their hands and saying, "Oh, this generation; they are gonna to hop from job to job to job." They are actually training people who want to be career educators. And the problem with Teach for America—

Hammond: How does somebody 21 years old know that they want to be a career teacher?

Wohlgemuth: Wait, wait, wait, what do you think we do in the private sector, where our employees jump from job to job to job? It's the way our society is now, we need to train people in our education system who can think and who can train in different jobs. We need treat—we are not going to change that dynamic, and you're not gonna be able to train a teacher and expect him or her to stay in teaching for their entire lives.

Malfaro: Why not? People have done that generation after generation.

Wohlgemuth: Show me where that's happening elsewhere in our society. Show me where that is happening in other businesses.

Malfaro: Oh, there are many professions that people enter. Accountants don't do accounting for a couple years and then say, "I think I am going to do something else."

Hammond: Oh, yeah, they do.

Wohlgemuth: Oh, yeah, they do.

Hammond: Just like half the lawyers, half the people that graduate from law school never practice law.

McCown: I graduated from law school and never practiced law.

Malfaro: Lawyers are a notable exception. So Teach for America, to me, is like the Peace Corps, but we need a diplomatic corps. We don't just need good-hearted people that will go into tough schools and do it for a couple years. We need people that want to do this and get very good. Robert knows, that even with Teach for America, the first couple years, they are not going great guns. It takes a few years in the classroom to reach your potential, and that's not an opinion—there's a good bit of research on that.

Scott: Oh, no, let me answer the first question. You ask a question and you are right, we should all answer to that question: Does money matter? Money is relevant but not dispositive. You can look at different districts; you can look at different cost analyses; and you could conclude that some districts could be more efficient. Certainly they can. In some cases when you set standards higher, you are going to need more resources. That is the struggle that we are facing, but I want to go into the second point: charter schools. I am a huge proponent of charter schools. But I went and watched and you probably went and saw *Waiting for Superman*.

Malfaro: I did.

Scott: My response to that movie: I am sitting there and I am like, You know, the premise is, if you get rid of collective teacher bargaining and you have charter schools, Superman will come and save the busload of children. Well, you know Texas is Superman. We don't have collective bargaining; we've got charter schools. We have solved our problem, right? Well, of course not. The premise of that movie was oversimplistic. And it highlighted for me, yeah, there are a lot of interesting ideas out there in the ether and educational philosophy right now, but it is far more complex in a state like Texas than those two fundamental premises.

Anthony: And there are some really great charter schools and there are some really bad charter schools. As a matter of fact, about 9 percent of them—

Wohlgemuth: There are some good public schools and there are some bad public schools.

Anthony: There are. But only a small percent of the public schools are low-performing, where 9 percent of the charter schools. So, it's not salvation. There are some great ones, and Mike Feinberg, they do a great job. So there are some good ones, but they're cul-de-sacs, they are never going to serve the mass vast majority of the five million kids we are going to have in Texas. It is incumbent upon this state, this Legislature, our business community, and educators to educate all five million kids. That means improving public education, increasing college career readiness, and funding it appropriately so that we say we are attracting businesses, that we're getting top-level businesses coming to a state with an educated workforce rather than taking what's left when they go to other states.

Scott: Let me jump in there too, David. The travesty of the situation that we find ourselves in right now, regardless of what you believe in terms of tax policy and spending, is the fact that Texas has made significant progress and we are facing having to halt or slow that down. That's the travesty.

Anthony: That is it.

Scott: That is the travesty, because if you look at the best way to calculate dropouts, using an attrition rate, ten years ago it was 41 percent; we are down to 29. Still not where we need to be, but pretty darn significant progress. I talked about the NAEP scores earlier, number one African American in the country tied with Massachusetts, number four Hispanic, number two science score for our Anglo students. We have been making some progress, and we have set the bar even higher.

McCown: And could I ask you a question about that attrition rate? If you cut that attrition rate and had more kids, wouldn't your costs go up?

Scott: Yes, they would. Your costs would go up.

McCown: And, Bill, you don't want to pay for that, right?

Scott: I would pay for it. That's a problem I want to have.

McCown: Well, I don't see how we could pay for it.

Hammond: You talk about the NAEP scores. I would ask you about the difference between your standards and the NAEP scores. If you look at the percentage of kids who the agency says are proficient, versus the number of kids who NAEP says is proficient, there is a pretty big gap, as I recall.

Scott: NAEP does not assess a curriculum; the TAKS does.

Hammond: Okay.

Scott: And as the TAKS test, as you mature in an assessment system, more and more kids pass it. So the achievement gap narrows. And we are seeing a point right now as we end the system for TAKS, that achievement gap is narrowed and student performance is high, and the number of exemplary campuses is high. Next year, the year we implement STAAR in the course exams, boom—that gap is going to increase, and correlation between NAEP and TAKS will become more focused and more aligned, because the system is going to be brand new.

Malfaro: Also, the word "proficient" means something significantly different with the NAEP exam.

Hammond: I understand.

Malfaro: There is a basic level, which is more like passing the TAKS test. "Proficient" means you got an A.

Scott: It's like "commended" for the TAKS test.

Hammond: Good. The other thing I wanted to comment on quickly is, you talked about *Superman*, which I have seen a couple times as well. I am not sure it's so much about collective bargaining with the teachers as it is the ability to remove teachers who are not doing their job.

Scott: You can fire a teacher. You just have to have the guts to document it.

Hammond: I know, if you have talked to principals as I have talked to some, it's expensive, and burdensome and annoying.

Scott: That's not the first barrier. The first barrier is the public hearing. You're going to go to your school board, David, and you have a teacher and that principal gets up there. And if you have a good lawyer, that principal is going to get cut up. "Did you provide a mediation plan or an improvement plan? Did you monitor them or provide them the supports they are going to need?" And you know your average principal has all of these other teachers they are focusing on, and they are probably not going to be able to answer that question on an individual teacher basis.

Hammond: Wait, wait—we already have a system that does that.

Scott: Because we built it up in lieu of collective bargaining.

Hammond: So let's just leapfrog and have at-will employment.

Malfaro: Arlene said something earlier that I think was right on, and that was, Nobody dislikes an ineffective teacher more than the teacher down the hall that has to work not only with that colleague but also with the kids that that person doesn't get to. So how do we have a fair system that makes sure that people who have gone to school, dedicated themselves to studying the craft, and, I am assuming, have gone through the first three years of probation? Because at the end of each of those three years the school district can say, "You know what, I don't think it's a good fit." And there is no hearing, there is no lawyer, there's no appeal, and you are gone. So you get three years to try them out.

Hammond: And then you are stuck with them for the rest of their lives.

Malfaro: You absolutely are not stuck with them for the rest of their lives.

Hammond: I know, but why do you make it so hard? Why do you make it this expensive public process? Nowhere is it replicated in the real world, where you have a public hearing regarding the employment. I mean, I can walk in on Friday afternoon and say, "I am sorry. I think you should seek another career."

Scott: This is the same legal challenge we face with charter schools, because you're denying a property interest in a contract, you have legal protections. You know, people say, "Why don't you shut down the bad charter schools?" I have been in litigation for nine years with some of the bad ones, but it's trying to take away the property interest, your honor. I mean, is that the legal analysis you are doing with the contract?

Hammond: Does the same hold true in the real world?

McCown: It depends whether you have a contract or not.

Scott: The state cannot repair a contract constitutionally.

Malfaro: But in this conversation it matters whether schools are larded up with terrible, ineffective teachers, and the school district cannot get at that.

Hammond: I don't know if they're larded up. I mean, Hanushek, who you disagree with about that—I understand that and I respect your disagreement—he was talking about only 6 to 8 percent of the teaching corps being removed. That's not larded up.

Malfaro: My experience over twenty years has been that about half of those who enter the profession exit

within the first five years.

Hammond: The private sector moves quicker than that. These kids move around like crazy.

Wohlgemuth: They do.

Malfaro: Right there, there's a pretty effective culling process where people—I'm not saying everyone that leaves is not a good teacher. Some come in and don't feel supported or feel like, "If I'm going to work sixty hours a week, I'll go back and go to law school and make real money."

Hammond: The other thing is that if they figure the teacher down the hall is dialing it in, it's going to have a major impact on them.

Malfaro: It's not been my experience.

Scott: Well, I've talked to teachers who will say it. You'll talk to some teachers who will say they know who the weak teachers are on the campus, and they would absolutely do what they could to get—

Hammond: It's not that complicated! All three of our kids were taught by the same kindergarten teacher. And I went in, and I begged the principal for that kindergarten. For the first two: natural selection—we got lucky. For the third one: It wasn't gonna happen. I went in, and I pleaded and begged to get this one teacher for our last child. The parents understood who the good teachers were.

Scott: I've seen the same situation with my kids. I mean, I won't name the teacher or the school or the class, but on one level of the course, there was a C, and on the second year of the course, there was a high A. Totally based on the strength of the teacher.

Malfaro: And I don't think there's any disagreement. There are strong teachers, there are middling teachers, and there are weak teachers. The question is, Can we fire our way to greatness, or do we acknowledge the fundamental and central role that the teacher plays in the education of kids, and design and build systems to support that? I mean, we're cutting mentoring funding in this budget, right?

Scott: There's still debate about it.

Malfaro: The date funding that you mentioned, Robert—you know that in Austin, the union partnered with the school district to create a pilot project on teacher support and alternative compensation called REACH. And we used day funding to do it; we ended up getting the biggest TIF grant—the Teacher Incentive Fund—65 million dollars from the feds. Even bigger than the one TEA got, although you got a higher score than us. That was a labor-management business community, because the Austin chamber was a part of it. Teachers want to have colleagues who are strong, but they also understand that just hiring a bunch of people and then figuring out who's not cutting it and just firing them is A) not a good way to build a strong professional core, and B) it's unfair to kids too. Because then they become the guinea pigs. "Hey, we're going to give you a teacher that wasn't really prepared"—maybe they'll be a superstar, maybe they'll be a flunky.

Hammond: But how does that relate to being able to remove incompetent teachers?

McCown: Can I come back to the big picture in just a minute? I feel like I'm in a labor-management negotiation. And the thing is, if we had the funds for higher salaries, health insurance, and professional development, and support, then people could talk to you about performance-based pay and evaluation and making it easier to terminate. But you don't want to put any money into the teacher corps.

Hammond: So, if we can't fund everything that's on your wish list, then we should never remove an incompetent teacher?

McCown: No. What I'm saying is, If you want to negotiate as management, you gotta put something on the table. We've got an underfunded teaching corps—

Hammond: You get to come to work the next day.

McCown: Well, see, that attitude just ain't going to cut it. Because what we're trying to do is educate 4.5 million kids and help this state meet its future.

Hammond: I understand. I agree with that.

Scott: Let me put a peace pipe on the table. The conversation that Louis just had is extremely important to your readers. The fact that we are able to, as labor, management, teachers, administrators, chambers of commerce, sit down today and discuss alternative compensation in teacher support in ways we wouldn't have done five years ago is a huge movement in labor-management, district-teacher relations. And so, I think, if you take anything away from this, just the fact that we are having these chamber-of-commerce-teacher-district conversations is a huge shift from where we were five years ago.

Wohlgemuth: Where are parents? Where are parents involved with this? I haven't heard anybody talk about the parents' ability to make choices for their children. For them to decide for their children where the best place is for them to be educated. They're the ones who know those children the most. But all of the decisions are being made by someone other than the child's parents.

Scott: I would suggest to you that everyone around this table and everybody in that restaurant there is able to make that decision for their kids. I do. I did. I chose my neighborhood; I looked at the feeder pattern; I looked at the schools. I had choice, because I had economic status that I could move into the neighborhood I wanted to move into. It's the parents without that choice that you absolutely have to talk to.

McCown: While y'all were all jumping over Austin for underutilized schools, part of the reason it has underutilized schools is because it has a choice. You can transfer to any of the schools that meets your needs.

Silverstein: I want to come back to—

Anthony: Before you come back and everyone interrupts you—

Silverstein: That's my job—

Anthony: Well, coming back to the termination of the contract, the key is, if you are hiring people to fire them, then you don't need a contract. If you are hiring people to develop them and make them into master teachers, then that's the least and the last thing on your mind. The better professional development system, the better support system that you have in place for your new teachers and for your teachers in your district, the fewer opportunities you are going to have to use the chapter 21 hearings, because you will know after the end of three years whether they are going to make it or not. And so you don't have to go in there with the idea that, these are the people I gotta fire. These are the people we have got to develop.

Hammond: I am not saying that. In the real world there are all kinds of things of professional development and things you just mentioned and no contracts.

Anthony: In the real world you have a lot of opportunity to make a lot more money. I tell you what, teachers aren't given the respect that they earn, because they simply are never going to be respected for how much of an impact that they have on kids' lives. They have a minimum level of professional finance; their bosses change on a regular basis; they work in communities where people have a lot more input on, to their board members, to their leadership than they do in the business world. They are under a lot more scrutiny, so I do think they do need some protection. But I do think that good teachers are developed, and I do think you have fewer reasons to fire them.

Hammond: If they weren't in a union, perhaps they would be better respected.

Anthony: They aren't in a union—

Hammond: Well, okay. If there weren't any contracts, they would be more respected.

Anthony: The vast majority of our employees are not in a teacher organization.

Malfaro: But it's interesting, Bill, because teachers the world over are unionized and they are held in great esteem. Whether it's Korea, whether it's Singapore, whether it's Finland, I am not sure that—

Hammond: Okay, well, maybe I'm wrong on the point.

Malfaro: I am not sure that forming what is a mutual aid organization is necessarily a bad thing. Other professionals affiliate with one another. Attorneys do. I was, this morning—I was telling David—I was in D.C. this morning in a meeting for the American Federation of Teachers and the American Association of School Administrators, and we were actually talking about the process of streamlining the process of getting rid of teachers that don't perform well. But most of the conversation focused on the need for having systems of support for intervention so that—

Hammond: They are not mutually exclusive.

Scott: No. And I'll say this too, that the conversation that we are having today is fundamentally different than the conversation we had five years ago. I met Randi Weingarten [president of the American Federation of Teachers] recently, and we are finishing each other's sentences. You know, and we were able to sit down and talk about this in ways we weren't able to do, so I think we are making progress.

Silverstein: I want to circle back. You know, I think this is a very important discussion, but, you know, the impetus for us sitting here tonight is the fact that we have a budget shortfall being debated and discussed just down the street from us. And we keep talking about the question, Does money matter? And Scott, the judge has what Bill has called a wish list. We have talked about appropriate funding levels. I guess the question is, At the beginning of the night you talked about a taxation problem, that we are not generating enough revenue to pay for the type of education that we would like to have. And that's the kind of conversation I would like us to have. We started off the night talking about tax swap, and we ended up with a tax cut, which is not generating enough revenue. And whether we are actually talking about a taxation problem, that's something—I would like to hear what you all think about that.

McCown: Well, he's looking at you, Bill.

Hammond: Well, I think the people of Texas have made a decision that the level of taxation is appropriate. Based on the fact that they send legislators back to the Legislature. I think there is a tacit approval on the part of the people that this is an appropriate level. Like everyone under the sun they want more services and lower taxes. I mean, that is a given. That's what everyone wants; that's your starting point.

Scott: It's taxes and spending. When someone comes to me and says, "Is the system constitutional right now with the amount of revenue that we are bringing in and the expenditures we're making?" I have to point out there are still \$2.5 billion to \$5 billion worth of capacity left in the system. They just have to go get their voters to approve the taxes.

McCown: Two things about that. I want to take issue with Bill's assessment of what the voters have said, because the voters have basically been lied to. In 2006 we had this tax swap. We funded it the first biennium after that with onetime savings, and we funded it the second biennium after that with the Federal Recovery Act. And nobody ever told the voters that this tax cut was going to result in cuts to education, which Bill described a moment ago as "devastating."

Hammond: Well, I don't think that's going to happen, Judge.

McCown: They weren't told that, and yet that's what we face. I don't think the voters intended this at all.

Hammond: And I don't think that's going to happen. I want to add that quickly, because I think that is a mischaracterization of what I said.

Wohlgemuth: Polling continues to show that voters in this state want tax cuts and not spending cuts.

McCown: That's not what the polls show.

Wohlgemuth: Yes, it is.

McCown: If you look at the polls, they say, "Do you want spending cuts? Yes. Do you want to cut public education? No. Do you want to cut higher education? No. Do you want to cut health and human services? No."

Wohlgemuth: When asked specifically on a particular matter they may say no, but when they are asked, "Would you rather a tax increase to pay for it?" the answer is no.

Anthony: I think we've done a very poor job of explaining the situation. You can't have services unless you pay. And I can't imagine any group of people sending legislators to Austin or Washington and saying, "Go raise our taxes. We want more services." That will never happen. We can cut taxes twenty cents, forty cents, and they'll want them lower the next time. I changed bus routes, and it was the end of the world. Nobody wanted to raise our tax rate, but they didn't want to lose that bus route.

Hammond: I want to say something quickly in response to what the judge said. I think the people are not supporting a level of cuts that would be witnessed by, if House Bill 1 as currently funded were enacted into law. I do not think the people of Texas would accept that. I do think that a level closer to the current level of expenditures without new taxes—use the Rainy Day Fund, push some expenses into the next biennium. Senator [Robert] Duncan is looking for \$500 billion in sale of assets.

McCown: We can get there without new taxes this time, but those bills are going to come due next time. We are going to have a huge supplemental, because we are going to have underfunded Medicaid. We are going to have to come back and undo those deferrals, that smoke and mirrors, and we are going to have spent the Rainy Day Fund. So ultimately we have got to have a tax solution.

Scott: Or you have got to have a robust economy that generates more revenue.

Wohlgemuth: Can we talk about the elephant in the room? It is Medicaid. It is an unsustainable program

that is eating our lunch. Because, the proportion of our spending—the percent goes up for Medicaid and goes down for education. And so, those are the two budget items. The program for Medicaid was very poorly designed. It was an unsustainable system, and the money we are talking about is being eaten up very inefficiently.

Scott: That's a very good point that translates into education too. We have all talked about the problem of increasing numbers of the economically disadvantaged in special-ed students. How do you stop that? And can that have an impact on spending and student performance? And I look to the kids who came from Louisiana after Katrina. That was a onetime flow of kids that, when they came, were three and four grade levels behind their Texas peers, but because the Texas system was able to intervene with those kids, within three years they either caught up or exceeded their Texas cohorts. So that tells me that given the opportunity and resources, our system is good enough to help students reach higher levels. How do we control that population? I don't know if we have an answer to that. There is a rising number of economically disadvantaged kids that is causing the system to drain resources.

Hammond: Can I make one quick point? I think the model of '03 is worth looking at. I haven't read it but I know that [the TPPF's Center for Fiscal Policy director] Talmadge [Heflin] has sent something out on it. But in '03 we used all of the Rainy Day Fund. We deferred, and I think because those decisions were made, the Texas economy, while not anywhere where we want it to be—we are substantially better than so many states, because of those decisions made then.

McCown: Well, then, I couldn't disagree more.

Scott: Well, we were supposed to have a \$10 billion shortfall for that year. We ended up at the end of the biennium with a \$5 billion surplus. So Bill is right that we would have been worse off if we would have set the baseline higher.

McCown: And what we used that surplus for was to fund the 2006 tax cut that has now left us in our current dilemma.

Scott: And compounded with the 2008 crash of the stock market and the downturn of the economy, so yeah, right. It's a combination of those things. Can the economy recover to improve sales tax collection? Absolutely.

Hammond: Absolutely.

Malfaro: Absolutely.

McCown: But it's not going to close the structural deficit.

Wohlgemuth: It won't do it if you raise taxes. It will not recover if you raise taxes.

McCown: Well sure it will. We have very low taxes. We have plenty of room to raise—

Wohlgemuth: We do, and that is why people come to Texas. And bring their businesses, bring their families. We have more jobs. We create a fifth of the nation's jobs.

McCown: Did you look at the LBB [Legislative Budget Board] model today? As a result of the spending cuts that we are going to have in this House budget, we are going to push unemployment above ten percent.

Malfaro: That's right.

Anthony: There are 335,000 jobs. And that is not how you build an economy, and that is not how you build an educated workforce. And you cannot have services without paying for them. It just doesn't work.

Wohlgemuth: At what point do we need to pay? We're paying more!

Malfaro: And I don't think they sent people here to cut taxes. I think they sent people here because they were mad that we had a 10 percent national unemployment rate. And they voted the party in power out of office, and that was the party in the White House.

Scott: Well, I think also, folks across this land were looking at trillions of dollars in spending. And they can't even fathom it. So I think there was a backlash to spending that caused people to say, "Hey, put the brakes on a little bit." Our kids and our grandkids cannot afford the debt that we are creating.

Silverstein: That narrative works at the national level, but in Texas—

Hammond: People don't distinguish between state and federal government. They get lumped together.

McCown: That's exactly right. Bill is exactly right. They get lumped together, and this Legislature would be confusing a national anger, and misapplying the lesson to this state budget, if what they do is underfund education.

Scott: You are both exactly right. You talk to House members who were campaigning in their districts, and they're Texas House members. They were going up knocking on doors; they thought they were congressmen. They lumped them all together and said, "You are the problem. You are spending money." And so, even when you threw out a \$27 billion number as a shortfall for the state, compared to the trillion dollars they were seeing nationally, they were like, "That's great. That's not that much. I am worried about the trillions." So you are right; they lumped them all together.

Hammond: People are definitely confused, because I am a recovering member of the House and I witnessed that when I ran for office. Because I was like, "No, I want to go to Austin and [former U.S. Congressman] Steve Bartlett wants to go to Washington." Right, Arlene? People are confused about it?

Wohlgemuth: People are confused about it because Washington is making far too many of our decisions. We need the decisions to be made closer to the people.

Hammond: I concur.

Silverstein: I keep hearing from you, Superintendent, that money needs to be spent.

Anthony: I think we've got to come to the decision in the state of Texas whether we want to be the lowest tax rate state and that's why people come here, or are they coming here because it's the land of opportunity, because it's an educated workforce and there are more jobs. But an educated workforce brings in good companies, creates more jobs, creates a greater economy, creates greater resources for services. You can starve the system down and can you get cheaper in Texas? You bet. Can the House bill pass? We hope not, but if it does it would be devastating, just as Bill said. And that will starve another generation. And every time you put an undereducated class out on the streets you are saying, "I've got a bigger tab coming down the line," because there's nothing they can do. It's going to be either unemployment or it's going to be support or it's going to be social services or it's going to be a lower paying job. It's going to be lower taxes paid, because if you can only afford so much, you can only pay in so much, so things have to change. There has to be an investment in public and higher education. And both of those have been decimated up to this point, as far as the bills that we're seeing. So I do think it has to be an investment, and I think there has

to be some serious work done with all the constituents, all the business, all the people who know to create what is a concept of education rather than shooting at these targets that go up and down. We're currently moving, in this legislative session, in the Louisiana model. The new normal in Louisiana is, "How much money we got this time? Okay, that's the budget for this year. If it goes up, good. If it goes down, good." It's a moving target. I was over there for a number of years, working. We got four raises passed in the legislature; none of them got funded. They got passed, but there just wasn't any money. If that's what we're moving toward, I'm telling you, Louisiana is the wrong target for Texas.

Scott: There's always going to be questions, though, when you're spending public dollars. There's always going to be scrutiny. I was visiting with the superintendent, and as a district they had taken advantage of the fact that the Wal-Mart had closed down and built another facility. They had acquired that old Wal-Mart, renovated it, and used it for their administration building, and there was outrage in the community, that, "Why did you take the Wal-Mart and turn it into your admin building? It's a Taj Mahal." Financially it was a very good deal for the district, to take an old building that was less per square foot than building new and refurbish it for the district. I jokingly said to them, "You need to tell them that you're going to provide quality education at a low, low price out of this facility. And that needs to be your mantra. You actually saved money on the deal."

Wohlgemuth: And American-made?

Scott: Absolutely.

Silverstein: So the question that you're raising by what you just said is whether at a certain point, the low-tax, business-friendly climate that we promote here becomes a business-unfriendly climate.

Anthony: Low tax can become business-unfriendly if you're not generating a workforce that brings in the quality business you want. Will there be people who move here because of the low tax rate and the graduates aren't prepared? You bet there will be; it'll be those that require very low-skilled or unskilled labor. That's not what we want for Texas. The vision for Texas has got to be based on generations and not bienniums. We've got to look at where we are gonna be when this group of kids from kindergarten graduates, and the next twenty years after that. But we have no vision. The last three sessions, we try and get to the next session. By the next two years, that is not a vision for a state that wants to be a leader and maintain that leadership position.

Wohlgemuth: Are you saying that all of the school districts in this state have done the best job that they possibly can for the taxpayer? And that there is no fat at the local level, and that there is nothing that can be done to change that dynamic?

Anthony: Well, I'd be a fool if I agreed to all of those no ways, alwayses, and nothings!

Wohlgemuth: So the only thing to do is to raise taxes to put more money in the schools, because they're doing everything perfectly?!

Anthony: Well, I didn't say any of that. I don't know who you were listening to. Somebody needs to check what you're drinking. I expect accountability. But I think the vast majority of the school districts are doing what their communities expect!

Hammond: No, I disagree with that. Because, with all due respect to my friend here, who I hold in regard and I think you have one of the toughest jobs in Texas, but I disagree with him on accountability systems. I think that we're telling the people of Texas, through our accountability system, that everything is rosy, and it's not. Before the TPM, 46 percent of the campuses were exemplary or recognized; today 70 percent are. I

don't think the performance went up by 24 percent over two years.

Scott: Even without the TPM, it did. It did. Even without the TPM. Yeah.

Hammond: It did? Oh.

Anthony: And most of the districts look at their campuses and talk to their CPAC [Conservative Political Action Conference] or their sideways committees about what we were with TPM, what we were without TPM.

Silverstein: Can you explain TPM for our readers?

Anthony: Texas Projection Measure, which is a value-added component, which is—

Hammond: No, it's a projection.

Anthony: I'm sorry?

Scott: It is a projection using a statistical analysis.

Hammond: I understand. But it's a projection. It's not—

Scott: It's a regression model.

Anthony: They may not pass it, but it projects whether they will be successful on the next critical level. But anyway, we got a lot of kids coming into our district. We got kids coming in from six continents and 99 to 110 languages. So they don't all start at the same level, but if we can show that we're making progress with those kids, they might move from a twentieth percentile level to a sixtieth percentile. They still failed the TAKS test, but TPM gives you a projection that they'll be successful at fifth or eighth grade. And so you get an opportunity through a Texas Projection Measure or a required improvement, which you improve by 3 or 5 percent to the next level, or an exception you might achieve a higher level for accountability.

Hammond: Do the people who live in your district have any recollection or knowledge of the percent of kids who graduate from their own high school career- or college-ready? Do they know that number?

Anthony: They know the number if the kid was commended. We report that in the AEIS [Academic Excellence Indicator System] data.

Hammond: But I don't think they have a feel for how you're doing. I think that they, like you—I won't say you—like so many school boards and so many civic leaders, are defensive of their system, and say, "Everything in our town is wonderful. It's those other towns that have the problem."

Scott: I didn't even say that, Bill! I'm not referencing that any superintendent says it's wonderful; I can't find a superintendent that's satisfied with the performance of their district. I know many of the superintendents, and I'll tell you, they're not satisfied. They're pleased with their progress, but they're not happy to stay where they are! They have no intention. They never even talk about it, "We're doing great, we're going to stay right here."

Malfaro: None of us are saying public education in Texas is everything it needs to be. Part of the challenge in an accountability system, Bill, is that we're basing everything off a multiple choice test, and at the end of the day—

Hammond: What would you base it off of?

Malfaro: College- and career-ready.

Hammond: Well, how would you determine that? Through a portfolio analysis? I mean—

Malfaro: Bill, we're moving that into course exams—

Hammond: I support that!

Scott: English 3 and Algebra 2 are the proxies. You score well enough on English 3 and Algebra 2, and you've got a correlation to college-readiness.

Blakeslee: Can I take another stab at the "what's at stake" question again, and also mention another elephant in the room that we haven't gotten to tonight, two birds with one stone? It's been suggested that we might do some long-term damage to our public education system if the House Bill 1 is adopted or if it doesn't come up high enough. If we do that, aren't we risking damaging the brand, for lack of a better term, of public education in Texas? Earlier, Arlene said it was a monopoly. It really isn't a monopoly. People with the means to get out of public education can do it. Middle-class people can put their kids in private schools, charter schools. That phenomenon is occurring already. Are we risking accelerating that? And if we do, I'll ask someone who's been in public policy all their life, what happens to an institution that doesn't have a middle-class constituency, and how well does it do in the public policy process?

McCown: Well, you've put your finger on the goal of the far right, which has been to destroy public education. To undermine people's confidence in it so they won't support it and it will implode. So they can keep low taxes. That's the goal.

Wohlgemuth: I could not disagree more.

Scott: I respectfully disagree. I've spent my entire life working for Democrats and Republicans, and not—

Blakeslee: He's not pointing at you, saying far right. I think he was pointing at—but let's hear from Arlene. I don't say that in a pejorative way.

Wohlgemuth: What has been demonstrated in places like New Zealand, when the schools are opened up to competition, is that the entire system improves. What you are proposing is that it's only through maintaining the monopoly that we're going to get quality. And what I'm proposing is that when you open it up to all different kinds of educational opportunities, and the competition within the public system, the competition from without the public system on the outside, that that competition raises the overall performance. Any time that you take—Milton Friedman said that there are two parts of our society, of our economy, that are not in the free market. One is education, and the other is health care. And any time that you take something out of the free market, you either sacrifice cost or you sacrifice quality, or both. And in education it's costing us more money.

Hammond: Higher ed is actually closer to the market than public ed is, for sure. And that's why we have one of the best higher ed systems in the world, why people come from all over the world to America.

Wohlgemuth: What are we afraid of, with competition?

Malfaro: High-performing school systems are not using a market competition approach. They're just not doing that.

Scott: Well, wait a minute. You mentioned Finland earlier. The European model has a very robust choice option in it, and you're talking about a very homogeneous population, without large numbers of at-risk kids, with a very strong social safety net, and competition—

Malfaro: Well, there's not competition in the Finnish model.

Scott: There are! The European model of education has choice!

Malfaro: Well, every country in Europe has a different education model. Public and private schools in Finland all teach a national curriculum. There are no mom-and-pop charter schools. You're right about the socioeconomic stuff, though. That's another thing we've kind of skirted around here a little bit. That we have a 25 percent child-poverty rate in this country. So, Arlene, you know, I would believe you a little bit more on the market competitiveness if you hadn't started the conversation by saying, "Well, what I'd like to see, is kind of a base level for everybody and then let communities augment that." Because what that says to me is, Plano's going to have great schools and Laredo's going to have lousy schools. And I think there are just some basic values issues here. Questions about whether we feel like poor children in our state deserve access to health care and education on an equal playing field. Those values, I think, are informed by a couple of things, and one of them is our understanding of economics and labor markets. If we want to be a third-world country, if we want to be a place where we've got islands of excellence and we've got big swaths of people who don't have access to the basic services and education. That's one vision of Texas. That's not my vision. That's not the vision of the people I represent and who go to the schools every day thinking to themselves, "I'm coming in here to build the citizens of this community in the future." That's a really disturbing thing for me.

Wohlgemuth: Remember when I said, "Define a basic education"? The state fully funds that. That leaves all kinds of resources in the local community. To your competition point, just look at what happened to New Zealand when they gave full-fledged choice. Initially there was a drop, not a big one, but a drop, in the public education enrollment. But in a very short time the enrollment exceeded what it had been before. Choice in the public school system, and their scores, were far above what they were when they started. Choice worked to improve the public schools, not to destroy the public schools.

McCown: That's not the plan here. Let's go back to your statement that if we had the state paying for the basic, there'd be plenty of resources in the local community. That's true in *your* local community. It's not true in a lot of local communities that have practically no tax base. And charters, choice, competition, vouchers, all this and this inequity model, is all a code for, "We cut loose the low-income minority population of Texas, we take the limited tax dollars we're willing to pay to fund something that's basic, we put our own private dollars on top of it, so our kids get a great education and we don't have to pay for education for everybody else." That is the game plan. And that is what Texans reject.

Scott: That argument completely breaks down when you visit schools like I visit. When you go into the Valley and see IDEA Academy. And see poor kids of migrant farm workers getting an outstanding education and full-ride scholarships to college. That is not the evil intent that you just espoused.

McCown: That's because the plan hadn't been implemented! The people of Texas clearly support their public schools. They want basic equity in the funding, and they want adequate funding. And we're making a serious mistake when we think that we can underfund by \$10 billion or come up with and offer them some scheme to do this or scheme to do that. They are going to know whether they read all these statistics or not, the basics of whether their kids' needs are getting met or not.

Scott: And I think we've spent a lot of time tonight talking about how bad things are, and how awful certain circumstances are. But you know—and David sees this too and I'm sure, Louis, you see this too—there are

wonderful success stories in our public schools. There are kids who are achieving at high levels, achieving at high levels in comparison to their peers nationwide and worldwide. If you go to the Texas Music Educators conference in San Antonio every year, and you listen to the All-State choir and the All-State band and the All-State orchestra, every year they read those kids' SAT scores, and those kids from all across the state of Texas that look like Texas, their SAT scores are three hundred and four hundred points above not the Texas average but the national average on the SAT. So there are wonderful examples of where Texas is competing well and achieving great things. I just don't want to lose sight of that in this discussion.

Anthony: The problem is, is that with the House budget, that will be over.

Scott: That bothers me too, about the arts.

Anthony: There won't be kids at the TME, because even if you have the music, the choir and orchestra and symphony, you won't be allowing your kids to travel, *except* those whose parents have a higher economic standing. They can pay for kids to go. But all of your kids wouldn't be able to attend.

Scott: And I agree with you there.

Anthony: So you'd be cutting those things. I hear people say, "Cut athletics." Well, you don't have a balanced budget if you cut an assistant football coach. Our assistant football coaches are full-time teachers. They get paid a stipend to work after hours. We don't hire anyone to coach. And yet we're going to lose the things that matter most, the extracurricular activities, the co-curricular activities, the things that keep kids engaged. You're right: Check the SAT and ACT scores on music and choir and orchestra kids. How many would not have completed, would have dropped out, if they hadn't been in athletics with no pass, no play. Funding matters. I can tell you. And it's not equitable. It's not equitable in my district unless you have some oversight, because we're 186 square miles. And we have some schools in Houston, we've got some in far suburbia, with a variance of 85 or 90 percent in economic standing, you know, one percent economically disadvantaged, 91 percent or even 97 percent. If we didn't work to make sure that we got needs met by district standards, we'd have a lot of kids migrating out of our district, and they're not. So there is choice; there's already choice. But you have to have a system that's designed to meet the needs of all kids, rather than bifurcating your educational system and resegregating along economic lines. That is not acceptable.

Hammond: There's not choice, with a few exceptions, for those who are economically disadvantaged. They don't have much choice.

Anthony: There isn't choice for those with the current choice, Bill. With current charters, even if you did vouchers.

Hammond: What percent of the kids are in charters? Sixty thousand kids are on the waiting list for charters in Texas—isn't that the number?

Anthony: I don't know about that number. I've never heard that number before, but—

Scott: It's a little over 100,000 or 130,000 kids in charters. So I don't think it's that high.

Wohlgemuth: So what's the choice there?

Hammond: The reason there's urban sprawl is because the people who make enough money move to Richardson or move to Round Rock or wherever, and the people who are trapped in a noncompetitive system and don't have the ability to move are the economically disadvantaged ones.

Anthony: If the hidden word we're not using is "voucher," if you're talking about vouchers, those don't work either, because that doesn't serve just the lowest of the low, of the economically disadvantaged. That serves anybody. And plus, you've got to be mobile. And a lot of economically disadvantaged kids who would want to take advantage of a voucher couldn't because of mobility. They're either immobile or nonmobile. So when you start talking about using vouchers to save kids, that is one hollow argument. It makes no sense.

Hammond: I disagree entirely. Look at what Dr. [James] Leininger did in San Antonio. Did he not improve the school where the kids were left behind? You have x percentage of kids who came from those schools, that took advantage of his self-funded vouchers, and the kids who were left behind, the performance of that school improved, did it not?

McCown: Edgewood became a recognized campus after the CEO program was instituted. So it did not have a negative impact on the kids who were remaining behind in that case.

Malfaro: Right, but do you really believe that that school said, "Wow, we better do a better job—

Hammond: You're damn right they did—

Malfaro: "Or all our kids are going to go away. We've been slacking, we've got to get off our keisters"?

Hammond: They did! They did!

Malfaro: Come on. Ed Fuller did research on high-performing middle school charter schools. You know what he found? Forty percent of the kids leave between sixth grade and eighth grade. Where do they go? Back to the public school. So you know who has choice? The charter school operators have choice. The private school operators have choice. You know what—"We're not sure you're a KIPPster anymore, Bill, because you signed that promise that you would do your homework and you're not doing your homework, so we're going to put you on the bench." And pretty soon you're heading back to your public school. So pretty soon the choice isn't for the kids, it's for the schools. Public schools, we don't have a choice. We take all comers. So creating a side system that creams kids off, because let's face it, which parents sign up for the vouchers? The parents that are with it. The parents that are paying attention. The parents that are literate. Not the parents in single-family homes, where Mom's working two jobs. She doesn't even know that these options are out there.

Hammond: Is that true about the kids attending charter schools in Texas?

Malfaro: It is definitely. Look at Ed Fuller's research.

Wohlgemuth: Have you looked at the demographics of the people who are at those lotteries for charter schools?

Anthony: But see, if you've got your parents who are engaged, you're more than halfway there. Anytime the parents are engaged in their kid's education, that kid's gonna be successful. I don't care what level of economics they come from.

McCown: But my point is, it doesn't matter if the voucher system could work in theory and be better. The point is, once you've got a voucher system, you're dramatically underfunded, because you allow the middle and upper middle class and the rich to take their voucher, add their own money on top of it, buy themselves a great education, and you would just see that voucher dwindle in value. Exactly what happened to property poor districts over time as the Highland Parks and Alamo Heights shot ahead. And that's the game

plan.

Scott: So do you oppose tuition equalization grants in higher ed that allow lower-income students to have access to a private university at the same rate as a state university?

Hammond: Because the cost of the state is less than attending a public university.

Scott: Yeah. Right.

Wohlgemuth: Douglas County school system, Douglas County ISD, is the largest ISD in Colorado. Fifty-six thousand students in that school district. The school board, the local school board, just voted about a week ago to allow complete vouchers for 500 of those kids. Now, what happens, they get a voucher for \$4,575, and the school district retains \$2,000 for doing nothing. So tell me how that's a disadvantage for the local ISD. They get to keep \$2,000; it improves their cost, their ability to fund, just like what happened in San Antonio. They can improve then, the ones who choose to remain, because they have more money.

McCown: Wait a minute.

Scott: Let me send you some data on the dropout recovery program.

McCown: The problem with vouchers is not where you start. It's where you get to. And to come back to your example with higher education, you see much the same thing working there. We are cutting low-income kids out of higher education by raising that state tuition up and up and up.

Scott: You're cutting more than low-income kids out of higher education. Trust me, I'm looking at colleges.

McCown: That's exactly right; that's exactly right.

Hammond: Well, tuition for the four years is about equal to the national averages. And for the community colleges, which are a gateway for so many first timers, poor, minorities, it's about in the thirtieth percentile, isn't it, in Texas?

McCown: And it's going up. And it's going up because we're withdrawing state support for it.

Blakeslee: And it was a response to the 2003 budget crisis, if I remember.

McCown: And it's going to be intensified!

Hammond: Tuition is still a bargain in Texas.

McCown: It's not going to be much longer. We're knocking the hell out of community colleges in this very budget.

Hammond: Well, that's yet to be determined. I don't think House Bill 1 as funded is going to become law.

Scott: And I would say that too, that the Senate has made significant strides this week.

Silverstein: Let's end there, because some people have to move on. But I want to finish with where you were about to go, Commissioner, which is what expectations you have, what some of the rest of you have, for what is going to happen up there this session.

Scott: Well, I'm of two minds on it. Either we're going to all come together on a funding amount that tries

just to hold us above water. There's not going to be any frills or additions; there's gonna be some cuts, and we need to figure out a way to prioritize them and fund what's really important. Or we're going to be here all summer long. That's kind of where I'm standing today.

Silverstein: You testified, I think it was before the Senate Finance Committee, and you said something about—it was, like, asking if you wanted your heart and your lungs back. What is your—when you kind of lie awake and think about the worst case scenario, what do you think could happen?

Scott: Well, I think the worst thing that could happen is to take our eyes off the ball. When I said “heart and lungs,” I was talking about two things. One was operation of the system in general, the basic foundation school program, but the other was keeping our emphasis on higher standards. It's the heart and lungs. It's not just operation but where we're going, how we're going to increase student performance? So when I said, “Which do you want to give back?” I don't want to give either one back. Sure, I want to fund the basic system, but I want to move it to higher levels of student performance. Giving up on either of those is not acceptable for me.

Hammond: If we fund at the current level, and we fully fund the materials, can we maintain the standards in House Bill 3?

Scott: I believe there's A) enough capacity in the system. Not all districts would be able to get a TRE passed, but there are some. And, David, I'm not painting with a broad brush. There are some districts out there with fund balance that will help them—not mandated use of it, but they'll draw it down, and there are still some stimulus dollars out there that remain to be drawn down. I think if you can fund at current biennium levels, fund the textbooks and maybe put some of the reforms—you don't want to call them reforms—but some of the other components that do targeted interventions, and give districts resources to respond to the demands that we're going to see in the new system, then, I think, yeah, we might survive for the next two years.

Hammond: House Bill 3 has both the bodies unanimously on final reading, which set up the new career/college ready, and of course exams, the new standards. There's a massive effort in the House especially, maybe less so in the Senate, to roll back or delay those standards.

Scott: Right, and I wouldn't do that. I still want to keep our system moving to higher expectations.

Hammond: Because we've maxed out on the current system. That's why there are so many differences.

Anthony: We passed dreams before that we couldn't live with.

Hammond: No, no, no, no. We've lived with them.

Anthony: We passed 22 to 1. We passed a compressed tax rate, and yet we're not willing to fund it.

Hammond: I'm talking about accountability and standards. The fact of the matter is, we can argue about how much they've raised the bar, but every time they've raised the bar, the schools have come up to that level.

Scott: Schools have responded. And I'd hate for us to say because we had to cut x, we gave up on the future and—

Hammond: Standards!

Malfaro: Yeah, but standards has always been coupled with increased investment. I mean, you started the conversation out by saying—

Hammond: I don't think you need increased investment to do standards.

Malfaro: Well, you started the conversation out by saying that the last ten years, according to the comptroller, even when you factor out inflation and enrollment growth, we've put more money per kid into the system, recognizing that the standards have gone up. Now we're saying, "Okay, we're going to keep raising the standards." But this is a train wreck of a budget. I mean, the best scenario is cutting \$400 per pupil. I mean, that's 6 to 9 percent of school district's funding getting wiped out.

Wohlgemuth: We're spending \$11,000 per student—

McCown: Arlene, that's a false figure. That includes buildings and capital construction for the number one growing state in the country.

Wohlgemuth: I didn't say that we're putting that money in the classroom. I'm the one that was complaining, because we're not putting that money in the classroom.

McCown: No, you're putting capital costs at \$11,000.

Wohlgemuth: So was I putting capital costs in what it was ten years ago. And compared to that we have increased, using the same methodology.

Anthony: We have grown by a million students, by 800,000 students, in ten years. We still have 10,000 kids in portable buildings. So we're not overbuilding, but we have a capital cost.

Scott: Well, not you, but I think a lot of voters out there, a lot of people look at this and wonder how the district can build a \$60 million football stadium in these times. But it's because they gave an INS rate. It's because they don't understand that there's two different things going on there.

McCown: That's also a couple of anecdotes. It doesn't begin to deal with—

Scott: But that's the anecdote that gets thrown out. It confuses people. We legislate by anecdote, unfortunately, a lotta times.

Hammond: Look at the schools that are being—I mean, I drive around the state, you go to Lampasas, you go to Jacksonville, and when you drive through these towns you look over on the right side, and there's a brand new complex that was just built in the last couple of years or even just this year that is just, you know, amazing.

Wohlgemuth: You would've thought it was a university.

Malfaro: We're trying to trick those kids into believing that someday they're going to go to the university.

Anthony: Just going back to the original question here. Well, worst thing can happen, if we want to set education back twenty years or if our goal is to become California, then they can pass the House bill. That will be the beginning of the end. Because then you're going to do the same thing that Prop 13 did to California. Because at that point, you said, "We have a mandate to maintain low taxes and spend no more money and just accept what's there, make tough decisions." It will absolutely set the education program in Texas back years. And I'm not sure it's one you can recover from, because then next year you still have the inequity or the ineffectiveness of the margins tax, you've got to cover that \$5 billion, and by the time you're

in make-up mode, it's going to be a major financial investment. The best thing to do—hopefully Bill's right, that it won't be \$10 billion, that it's going to be, and Robert's been saying all along, that he thought he could help them get it down to \$5 or 6 billion. But even at \$5 billion or \$6 billion you're talking about \$1,000 a kid, \$500 a year per kid that you're going to be cutting for districts. And so some are not going to be able to draw down on that fund balance. And, as he said, some have a fund balance, and they can use that. They'll never get it back, but what are they going to do the next year? Now, if that's \$400 or \$200 a year, that's still going to make a significant impact, and where it's going to hurt is, it's going to hurt with providing that support for teachers. And that professional development for teachers. And when 40, 30 to 40 percent, maybe even 50 percent of your teachers haven't been through anything, and classroom visitation, very minor, with alternative certification, you've got to put some money into them. We have to invest in them. Bill has to invest in new employees. Businesses have been complaining for years that we have to retrain high school and college graduates. We have to do the same thing. And so, if you don't have that, because you're putting it all in the classroom, you're eliminating the district level of support, then there's going to be a negative impact there. While we're increasing higher standards.

Scott: And here's what's going to happen. Year two of the biennium, you're going to get a brand-new set of scores come out, and they're going to plummet, because it's a new testing system. And the end-of-course exams. And his community's going to come to him and go, "What in the heck are you going to do about this?" And the normal response is, "We're going to provide—we're going to do some interventions. We've got this new strategy, we've got this program, we've got these resources, and we're going to come into these schools and change the way we're doing things. And we're going to provide support for teachers." They're not going to have that. They're going to have to say, "Eh." They're not going to have any resources to do it. And unless the state or the federal government starts coming up with additional resources. So that's why you're saying, the debate about rolling back HB 3.

McCown: I just want to emphasize David's point, that you have to look at this in terms of both 2011 and 2013. And what we're fixing to do is to cut ourselves—before 2006, we had an underfunded system and inadequate revenue stream. We cut taxes. Now we're going to cut spending on education to fit that inadequate revenue stream. We're unwilling to do anything about it in 2011; and we're going to be unwilling to do anything about it in 2013, and our problem's going to get worse. And we've got to have a tax bill. If we don't have it now, we're certainly going to have to have it in 2013, and until Bill and Arlene are willing to talk taxes, we're going to go straight into the toilet.

Scott: We don't want to end at the toilet! I think we are wrapping it up, though.

Silverstein: I would like to give Bill or Arlene the chance to respond, though.

Hammond: You said it before, that we are in tough economic times, and one of the things that we need to realize is that businesses and individuals and families are feeling the pain of difficult economic times. So they're having to reduce their expenditures. They're going to have to live on less; the cost of food's going up. So their budgets are hurt. So there's going to have to be some pain and suffering on the part of government. I think if you, again, if you fund at the current level coming in to the next biennium, then you've reached a reasonable accommodation between the realities of the economy and the funding stream that's available. And there's certainly *not* going to be a tax bill passed, that's just not going to happen, so we've got to try to use the various things we have available to us to try to get the funding level up.

Wohlgemuth: We need to start devoting more of our resources to the classroom, as we've said before, bringing it back to the fact that more money does not always equal an improved outcome to the student. There's not a provable correlation there. We need to prioritize at the local level, we need to prioritize at the state level, and decide what is truly important. And what's important to me is teachers in the classroom. Nobody is addressing the number of nonteaching staff that we have. We've got to have teachers in the

classroom.

Anthony: You can't run a hospital with just doctors.

Wohlgemuth: How can you justify a 44 percent increase in student enrollment, which is what you all keep saying? We've had this enrollment, we've had this increase in the number of kids we have to educate, but we haven't had a 44 percent increase in nonteaching staff. We have had a 71 percent increase in school personnel.

McCown: I don't know where that number comes from. Can you document that number?

Wohlgemuth: Yeah!

Malfaro: Lynn Moak and Dan Casey, I think, debunked this whole myth that we've got all of these nonteaching people.

Wohlgemuth: We documented two VA studies; we documented it in a report on our website. We took decades of growth and education and we took numbers from the state, and we did the math.

McCown: I don't see how that's possible, since the ratio of teachers to nonteachers has been roughly the same for over twenty years.

Scott: Her point is, if you look at an employment system of over 600,000 people, and you say you have 300,000 of them, 330,000 of them, are classroom teachers, then people automatically do the math and say, "There's one other person for every teacher." And that's what people are saying.

Hammond: Well they say administrative.

Wohlgemuth: No, no.

Anthony: They changed it now.

McCown: Well, there are a lot of teacher's aides, a lot of diagnosticians. There's special ed staff—

Scott: And nurses and counselors and librarians and bus drivers and all of those things. So David's right, we're using the term "administrator," but there is nuance. But there is one other person, we are about a fifty-fifty ratio of noninstructional versus classroom teachers. Yeah, okay, I have that snapshot. I can look at that and see that number too, but there are mandates in there, and a lot of those teacher's aides are there because we have moved to mainstreaming special ed kids in the regular classroom, and you have to have an instructional aide there to provide support services. So there is some reason for that.

Anthony: Absolutely.

Malfaro: The characterization of this as a cut to government, that government's got to tighten its belt the way families are, I think misses the point. This isn't a cut to government. It's a cut to students and to families, and it's a cut to the families and the students that are probably bearing the toughest part of the economic downturn. We see now about 60 percent of our kids in the Texas public schools qualify for free or reduced lunch. So we know when the economy turns down it hits the people who have the least cushion the hardest. And so we're going to double down on that hit to kids and families at a time when they're feeling this most acutely. A certain governor said recently, "We take care of the least among us." And when I think of taking care, I don't think of it as "we're gonna take care of y'all." But that's what this is really feeling like. Down at the Capitol, it's feeling like, "We're going to tighten the belt, and the people who are

going to get squeezed are the least among us.” I mean, let’s face it. That’s who’s going to get hit.

Wohlgemuth: So we’re going to raise the sales tax on the least among us?

McCown: There’s a way to raise the sales tax and handle regressivity both. By providing a credit for the low-income families. I don’t know why you look like that, Arlene, it’s easy to do; there are states that do it. We can raise the sales tax and deal with regressivity. I agree with you, Bill, that times are bad, but there’s a lot of wealth in this state, and we’ve been unwilling to tax that wealth when times were good, when times were middling, when times were bad. And the question is, Are we going to step up and invest in our population and get it educated or not?

Hammond: We have a representative form of government, and the representatives have decided not to do it based on them getting reelected.

McCown: The next election is always more important.

Silverstein: We gotta wrap this up—

McCown: We could go all night. And you were worried that no one would say anything.

Silverstein: No, I was never worried about that.

Anthony: All these representative groups are going to have to work together to figure out, because that’s the goal—you want a workforce, we want quality schools, you want choice. I don’t know if we’ll ever agree.

Wohlgemuth: You want a monopoly.

Anthony: No, we don’t! No superintendent’s goal is to provide an educational system that kids want to move out of.

This conversation was held on March 24, 2011.

Transcribed by Debbie Epping, Austin Kurth, Stephanie Kuo, Olivia LaVecchia, and Layne Lynch.

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