

AMERICANS FOR PROSPERITY FOUNDATION

Advancing every individual's right to economic freedom and opportunity

Joint Senate Committees on Education and Finance

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Testimony by Peggy M. Venable Texas Director, Americans for Prosperity

Interim charge: Review and make recommendations that address the state's facility infrastructure needs for public schools, ensuring that funding remains stable, reliable and equitable. Examine the need for funding adjustments for factors that affect the need for facilities such as fast growth, age and condition of facilities, adequacy of space, construction and land costs, and concentration of students requiring smaller class sizes. Assess the impact on property tax payers of "rolling forward" the Existing Debt Allotment (EDA) each session and the change in the biennial appropriations for the Instructional Facilities Allotment (IFA).

Thank you for inviting me to testify on school facilities. We realize that with increasing student enrollment in some districts, and shrinking enrollment in areas, coupled with aging facilities, education facilities are a major consideration and expense for public education.

We have some recommendations:

- Use smart school facilities plans or prototypes to reduce building design costs
- Call bond initiatives what they are – deferred tax increases
- Bond indebtedness -- principal and interest -- should be included in all bond initiative/deferred tax increase education and campaign material
- Have all bond initiatives put on the November ballot
- Stop the advocacy used by ISD's to pass bond initiatives/deferred tax increases
- Contractors, architects and vendors who support the pro-tax increase/bond initiative group should not be able to bid on the project should it pass
- Any bond package which is rejected by the voters two years in a row must wait two years to be put before the voters again.
- Public school facilities are paid for by the public and should be available to the public.

In fact, this is not a new issue. Texas taxpayers generously approved 84 of 112 bond initiatives from 2006 to 2007 at a total cost of almost \$4.3 billion.

Local government debt gets little attention, but is growing at an alarming rate

Americans for Prosperity has issued a study: KEEPING TEXAS COMPETITIVE: PROSPERITY IN THE LONE STAR STATE, and that research found that over the last 20 years, local government debt has grown five times faster than personal income, and is so great that the interest payments alone equal what all local governments spend on police and fire protection combined.

And according to the Texas Bond Review Board's most recent annual report (2007):

- Texas ranked third among the 10 most populous states in terms of local debt per capita;
- Local government debt issuance in Texas for FY '07 experienced a resurgence with a 45.5% increase when compared to 2006 (\$29.7 billion vs \$19.9 billion)
- New-money bond volume climbed by 44.1% over FY '06 as did refunding bond volume by 47.7%.
- Data for FY '07 indicate that of the \$29.07 billion issued, approximately \$18.0 billion was for new-money purposes while \$11.04 billion was issued for refunding prior outstanding debt.
- For the fiscal year ending Aug 31, 2006, Texas' total local government debt outstanding increased by 6.7% to 127.42 billion compared to \$119.44 billion at FY-end '05. Totals were not available in the report for FY '07.

Source: Texas Bond Review Board 2007 Annual Report, Page 4:

<http://www.brb.state.tx.us/pub/bfo/AR/AR2007.pdf>

Legacy we are leaving our children is one of debt

Thanks to our generosity, we are leaving our children a legacy of debt. That is not the legacy we want to leave our children.

But there are ways we can change that.

There is no need to reinvent the wheel every time a new school is built. And buildings don't teach students – teachers do.

Today in Texas, we still spend only about half our education dollars on instruction, and teachers constitute only about half of the education staff and make far less in most districts than do the support staff.

Call bond initiatives what they are – deferred tax increases

The public is very generous, with bond initiatives passing about 85% of the time; however, property taxpayers are ready to revolt. In talking to taxpayers across the state, they are largely unaware of the local government debt they are incurring, though much of it is taxpayer-approved. We propose calling a bond initiative what it is – a deferred tax increase.

Savings on architectural fees. Architects generally charge 6% of the cost of a school facility. This provides no incentive for cost savings, and is actually a disincentive.

I was in Florida earlier this month and had opportunity to see first-hand some of the top-rated Florida public school facilities. They looked a lot like the schools I attended in West Texas – where we had award-winning music programs in school and our football team consistently made state and inspired Friday Night Lights. Then we used a stadium with wooden seats and if you put your purse at your feet, it could end up falling under the bleachers. Do students get a better education in more elaborate facilities, or with spectacular sporting facilities? We've seen no evidence of it.

We could easily propose prototype school plans which could be modified based on the building materials available and the site and save taxpayers a tremendous amount of money.

I am attaching some information one of our experts, Jason Moore, provided two years ago. He owns a masonry business and has recommended we stop building taj mahal facilities...and if you doubt that we are, one example is the new Cy Fair facility approved by taxpayers who were shocked to learn that when built, it had n electricity bill of \$40,000 a month.

If architectural firms get about 6%, then for a \$91 million high school, that is over \$5 million that could be saved by using prototype plans. Architectural firms will lobby hard against such a cost-savings plan because it will mean millions of dollars in architectural fees they won't be collecting – but please remember that it will also result in millions of taxpayer dollars which won't be spent.

Today, stadiums with megatron TV's and skyboxes are common-place. Many high school stadiums rival college facilities. These are mostly taxpayer-approved. But most taxpayers are largely unaware of the debt they are accumulating for future generations. We want to see these bond initiatives called what they are – **deferred tax increase bond proposals**.

It would also be appropriate to deny any contractor or vendor who contributes to the pro-bond initiative fund from being able to compete for the business. This simply makes sense – contractors who work to get a bond initiative passed shouldn't be able to profit from the project. We have two concerns: not only do these pro-bond organizations far outspend taxpayer groups working against the bond project, but they may have an unfair or inappropriate advantage in the bidding process.

Stop the advocacy used by ISD's to pass bond initiatives/deferred tax increases

School districts are prohibited from advocating for bond initiatives/deferred tax increases, but they are experienced in getting around that law.

The Texas School Public Relations Association (TSPRA), a professional organization with over 500 members, self-described as being dedicated to improving education in Texas by promoting effective public relations practice, providing professional development for its members; and improving communication between Texans and their schools. Membership is paid with school district dollars (www.tspra.org). The organization offers material designed to help districts pass bond packages. The material notes that TSPRA “contracts with districts and consultants who are school public relations professionals with experience in promoting and marketing bond elections.”

Contractors and vendors who support the pro-tax increase/bond initiative group should not be able to bid on the project should it pass

Taxpayers opposing the tax hike are usually outspent by the pro-bond organization which is often funded by contractors who would benefit from the work. We propose that we not limit their right to support the pro-bond/tax increase initiative but that they not be allowed to bid on the work or benefit financially should the bond initiative/tax increase pass.

Limit the times a bond initiative/deferred tax increase can be put before voters

Last session, the legislature passed a very anti-taxpayer measure which limited frequency voters can petition local governments for freezing elderly and disabled taxpayers' property taxes – a Rep. Fred Hill bill. The legislature failed to put limits on governments' ability to put bond initiatives before the public, and that must be done. Some school districts use the tactic that they will continue to put the bond initiatives before the voters until they “wear them down.”

Use of Public School Facilities

I might also mention – though it is not specifically in the call – that school facilities are paid for by taxpayers, and some ISD policies preclude its use by other groups. The NEA – the national organization with which the Texas State Teachers Association is affiliated -- recently passed some resolutions at their annual convention in Washington, D.C.*

“Use of Closed Public School Buildings. The Association believes that closed public school buildings should be sold or leased only to those organizations that do not provide direct educational services to students and/or are not in direct competition with public schools.”

And in a section condemning home schooling, they included this

“The Association also believes that home-schooled students should not participate in any extracurricular activities in the public schools.”

*Note: these were provided by Education Reporter: **Some NEA Resolutions Passed at the 2008 Convention in Washington, D.C.**

We at Americans for Prosperity strongly oppose efforts by public schools and their related associations from restricting use of public school facilities to the public who paid for them. And this attitude that the school doesn't belong to the public who paid for it is simply wrong. And the attitude that a closed public school building should not be used by a private school or another educational institution reveals much of the problem we have with public schools – they don't want competition, even if they have failed the students or have closed the school facilities.

School facilities should be for the use of the community and should be available to outside groups and other educational opportunities when available. The public school monopoly doesn't own the facilities – taxpayers do.

The Real Answer lies in Funding the Child's Education, not the Educational Institutions

Educational choice would allow parents to select the educational institution where they think their students have the best opportunity to learn, and in doing so alleviate educational facilities needs.

We don't need to be funding the educational institutions, but the child's education and in doing so should allow parents to select the school where their children have the greatest opportunity to succeed, some of which are outside public education. We should want to educate children and that is the first priority, not build then fill the school facilities while trying to protect a monopoly system.

Americans for Prosperity Foundation (AFPF) is a nationwide organization of citizen leaders committed to advancing every individual's right to economic freedom and opportunity. AFPF believes reducing the size and scope of government is the best safeguard to ensuring individual productivity and prosperity for all Americans. AFPF educates and engages citizens in support of restraining state and federal government growth and returning government to its constitutional limits. Americans for Prosperity educates and mobilizes grassroots citizens.

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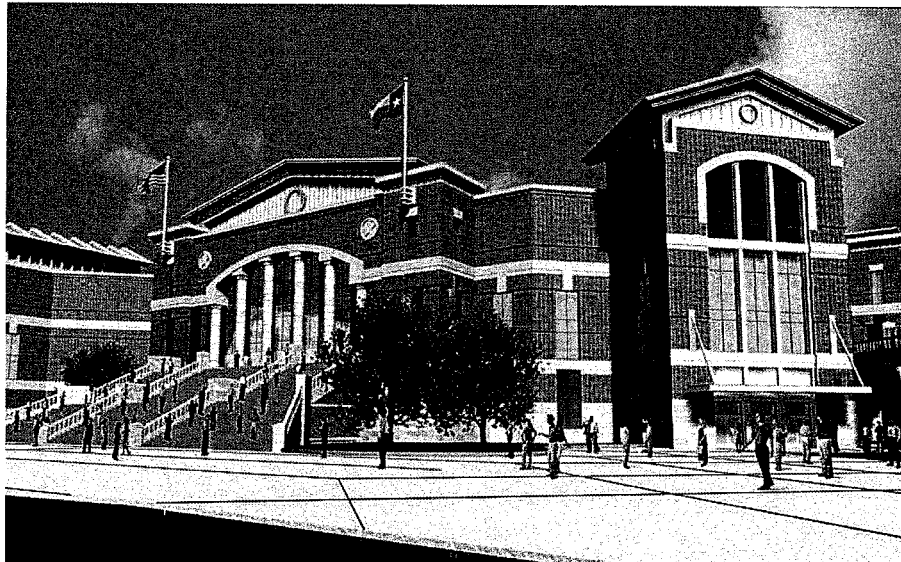
(Document created October 12, 2006)

Honorable Senators,

With funding for education being a persistent and unending debate in our country as well as our state, I embrace this opportunity to submit to you my collection of research and opinions in hopes that the legislature finds truth that can be transformed into meaningful legislation. If our goal is truly to educate our children, then we must avail ourselves of every opportunity to unshackle ourselves from those opinions and practices which seek to maintain iron fisted, protectionist control of the status quo.

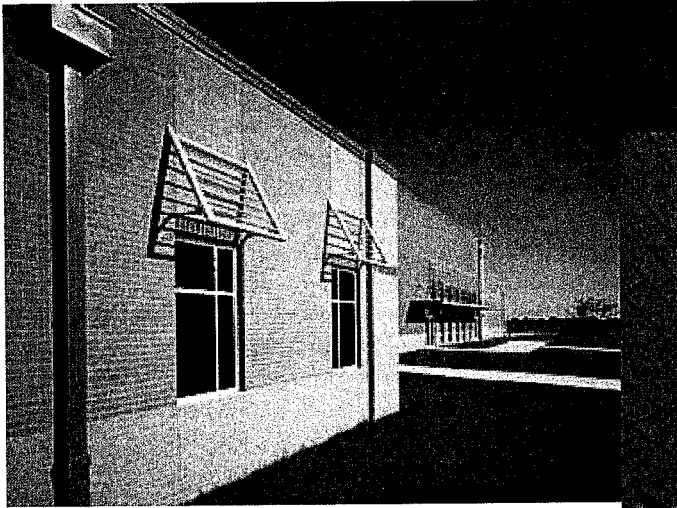
Make no mistake, the construction of our educational facilities is a multi-billion dollar industry, annually. As you will no doubt hear from the multitudes about the need for this bell or that whistle the reality is that bricks don't teach kids to read. Furthermore I am here today as a commercial masonry contractor from Odessa. I make my living building schools, prisons, big box retail stores, etc. and there is one undeniable fact; government buildings, almost universally, are built extravagantly while private sector buildings, conversely, go for the most "bang for the buck". We know that businesses have to produce a desirable product at a cheaper price than their competitors. Yet the very system that ISD's depend on to get their schools built, refuse to allow competition within the education system even if it means a less than desirable education. My premise for this submittal is that we have to embrace common sense if we really want to succeed at providing facilities that balance the need for a safe learning environment, at a reasonable price, for those who will be making the "mortgage payments" (taxes) on their local school along with the payment on their house. I could be at this hearing lobbying each of you to legislate away my competitors or to legislate in my product or to protect only my industry, but I am here today speaking for all of those back home that can't afford even one day off from work to come here and plead with you for relief from the ever increasing mob which will never be satisfied with even billions more hard earned, taxpayer dollars.

It takes barely 5 minutes to Google "Texas schools" to find the most ornate and extravagant schools known to man. I have included a few pictures which are in the public domain, that speak more than a \$million\$ words! Take for instance this newest \$72.9 million "multi-purpose" complex in the Cy-Fair ISD:



Yet recently the citizens of that district were "shocked" to discover that it cost approximately \$40,000/month just for the electricity! What's worse, this ISD has bond indebtedness of \$1,811,307,387! Is this considered an educational facility in the truest sense of the word or is this a place where materialistic pride is produced?

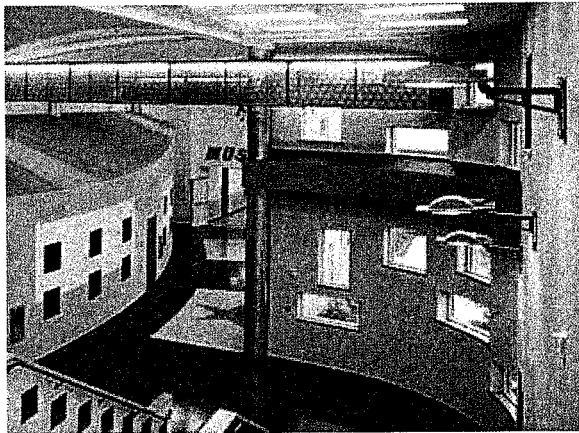
Next are a few examples of what I simply call "WHY?".



Can you tell me if you would buy window shades that don't shade?



One of the most egregious ways to waste money on a school is to build circular, curved or arched walls. Walls like these can cost anywhere from 25% to over 100% more than typical construction.



Yet, we will have some architects, bureaucrats and “educational experts” justify these extravagant features. Could it be that if you derive your paycheck based on a percentage of the total cost that you may be tempted to make a \$10 million building cost \$20 million? Could a school district save millions just by making these particular walls straight? No. But as the old saying goes “A million here, a million there and pretty soon your talking about real money”. Thousands of dollars are wasted in seemingly small ways and that turns in to millions of dollars.

One point I would like to state here is that my best attempt to ascertain a firm figure for the total amount of money that Texas taxpayers spend on school construction each year totals approximately \$1.5 Billion. Since I have worked in the construction industry the last twenty years I have concluded that a conservative estimate of waste in these facilities is about 15% or about \$225 million **each year!** That means every 6.6 years we have wasted one years worth of school construction on frivolous and extravagant features and buildings. Why would the legislature not embrace reform in an area like this when it would mean that the legislature would not have to go invent a new tax or increase an existing tax? These are dollars already being extracted from taxpayers and it is the duty of each elected official to make these dollars go as far as they can. Taxpayers are looking for results not just “activity”.

I realize I could continue to “shock and awe” you with hundreds more pictures and anecdotal evidence of waste and extravagance but let me share a classic example of misplaced priorities. A school project we bid on last year had an extravagant entryway as part of the base bid. However, on the list of “Alternates” to the bid, one of the items requested was how much money could be saved by deleting four classrooms. My company suggested that perhaps the “grand entryway” could be scaled way down or even deleted and that money be applied towards keeping the four classrooms. In the end the decision was made by the “powers that be” to delete the four classrooms. My question remains; will we leave our legacy in our children or in inanimate, soon to crumble buildings?

What solutions are there to this problem? I submit to you a few from a buffet of solutions.

1. Construction costs make up approximately 75% of the cost of a school. First and foremost Texas should adopt a guideline of “Frugal Construction Standards” like those developed by Florida's Department of Education. It definitely needs some additional guidelines but it is a good start on defining frugality in construction. The Frugal Construction Standards is a companion to Florida's SMART Schools Program (these resources are included at the end of this document). SMART is an acronym for Soundly Made Accountable Reasonable and Thrifty and encompasses the heart of what parents/taxpayers want. I have spoken with a representative of Florida's DOE and they encouraged me to make this material available to you. The main component in this idea is that if an ISD is willing to build according to these criteria then the state funds some part of the building of that facility. Please take time to study this model. More information can be found at <http://smartschools.state.fl.us/>
2. Architectural fees run, on average, 6% of the cost of the building. Therefore, why reinvent the wheel every time a new elementary, middle or high school has to be built? Architects can be given the opportunity to compete on developing a collection of boilerplate, frugal designs for use by school districts if they desire state funds for their construction. Local ISD's can have discretion on veneers (and encouraged to use materials easily acquired or native to their area), colors, and of course, structurally relevant to their region. Instead of everyone bogging down in legislating for the “exception” (i.e. “Our school sits on a hill”) in this area let's legislate for the “rule” and handle the exceptions on a case by case basis.
3. As a derivative of point #2, I would like to add a more subtle cost driver to the construction of these facilities. In researching this entire subject I became aware of a disturbing trend. There is a growing trend of “educational design showcases” which provide a forum for architects to showcase their “work”. It has become apparent that some of the prizes are valuable in that it generates “free” advertising regionally or nationwide for these more extravagant designs to be

duplicated in other school districts. What's more is that it appears each year the designs get more outrageous in an attempt to win the competitions, thereby using taxpayer dollars to build architects portfolios. I would ask the legislature to ban the use of our educational facilities (really, any taxpayer funded building) for submission in to these competitions.

4. I do not believe we should denigrate the use of portable buildings in our school districts. While some have indicated they cost more per square foot to build the reality is that they allow school districts to absorb the sudden increase in student population. As with all things, there is an ebb and flow and by using these buildings it gives districts time to ascertain if their growth is trending on a consistent path or if it is a "one time" surge. We should not be committing taxpayers to decades of debt for millions of dollars for a year or two increase of a couple of hundred new students. It might be possible to use our Regional Service Centers to be a clearinghouse for these portable buildings where one district is seeing a decline in enrollment and another within the same region is seeing an increase.
5. Lastly, I would just interject that some relief could be felt in "overcrowding" in our public schools if the legislature allowed private schools more access to compete for these students. As I have already stated, the private sector has a history of delivering a better product at lower prices. If it weren't a product we would not be spending billions of dollars on it every year.

I will be glad to make myself available at anytime now or in the future to give my insight into the construction of school facilities. I know there are many other contractors who have expressed to me that they see the waste in their field of construction as well, but are afraid to speak out because of the potential retribution on their businesses. This one subject within the legislature represents hundreds of millions of taxpayer dollars that must be accounted for. Again, I have included numerous resources and pictures for your perusal and will assist you in any way I can.

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