



TO: BOARD OF DIRECTORS

FROM: EXECUTIVE COMMITTEE

SUBJECT: PRE-K 4 SA

STATUS: ADOPTED

DATE: 08/23/12

RECOMMENDATION: That the Board of Directors of The Greater San Antonio Chamber of Commerce adopt the following statement as policy:

STATEMENT: The Greater San Antonio Chamber of Commerce recognizes that education, at all levels, is a critical component in our community's ability to continue to develop a strong workforce. As such, the Chamber supports Mayor Julián Castro's ballot initiative that calls for a 1/8 cent sales tax increase dedicated to educating San Antonio's four year old children. We recognize the increasing workforce demands facing employers and applaud Mayor Castro for proposing his Brainpower Initiative, to positively impact our community's future generations by addressing the need to raise the academic achievement of the children of San Antonio.

The Chamber strongly urges the Mayor and City Council to include Chamber business leaders in their appointments to the governing board of the San Antonio Early Childhood Education Municipal Development Corporation and the Advisory Board to ensure participation in the leadership of the initiative by those who are shaping San Antonio's economic and workforce future. Additionally, we request annual status reports to The Chamber's Education and Workforce Council in order to ensure the established goals and metrics are being met financially and academically.

The Chamber is committed to the program's long term success and we will be constructive participants in implementing the proposals. However, the Chamber intends to evaluate the programs annually and our continued support will be based upon the progress toward and achievement of the established program's metrics:

- 500 four-year-olds enrolled at each of the four Centers of Excellence in year four of the program whose:
 - Achievement gaps will be reduced by at least 25% in Language & 33% in Math,
 - Special education and grade retention will be reduced 20% - 40%, and
 - By 3rd grade, the achievement gap in the State's reading and math assessments closed by at least 10%
- 1,700 four-year-olds enrolled in the Pre-K programs that receive grant awards and/or professional development services who by 3rd grade will close the achievement gap in reading and math by approximately 5% - 15%, compared to students who did not participate in Pre-K 4 SA.

BACKGROUND: According to 2010 U.S. Census data, there are approximately 20,000 four-year-olds in the City of San Antonio of which roughly 5,700 four-year-old children are either in half day Pre-K or are currently not enrolled in a Pre-K program. In May 2011, Mayor Julián Castro assembled the Brainpower Task Force comprised of concerned business and education leaders to determine if a targeted, significant financial investment could fundamentally improve San Antonio's educational achievement.

The Brainpower Task Force was led by USAA CEO and Maj. Gen. (Retired) Joe Robles and H-E-B Chairman and CEO Charles Butt. The Task Force members examined and evaluated three specific areas of interest:

- 1) Early childhood education;
- 2) Dropout prevention; and
- 3) College attainment

After more than a year of studying best practices and evidence-based outcomes in other U.S. cities, the Task Force determined that investment in early childhood education would yield the most profound results across the education spectrum.

The Task Force presented its recommendation to the City Council on June 20, 2012. With the help of education professionals, City staff developed a business plan to implement the Task Force's concept and recommendations. The City put together a strong team of experts that included education attorney David Thompson; retired superintendents Dr. John Folks & Dr. David Anthony and the State Demographer, Dr. Lloyd Potter.

The Proposal: The Brainpower Initiative, or what is now being called the Pre-K 4 SA initiative, seeks to dramatically and sustainably raise local student achievement as measured by the third grade state tests in reading and math by implementing the following measures:

- Providing full day Pre-K to 3,700 children annually through the opening of **four (4) Centers for Educational Excellence**, 2,000 in the Centers of Excellence and 1,700 educated through a competitive grant awards process starting in year three. (The revenue from the tax would not fund the capital expenditure for the model centers of excellence. City Council has already approved CDBG funding that included \$2 million toward the renovation or construction of the model centers.)
- Training and **professional development**. This includes annual in-service for 2,300 to 3,150 teachers, principals, early education leaders and community providers. This would also be extended to teachers and teacher aides in grades K-3
- Utilizing the last **1/8-cent in our local sales tax**, the City is proposing to maximize the legislatively restricted total sales tax collected locally at 8.25 percent. The median household will pay approximately \$7.81 annually producing an estimated \$31M annually
- **Leveraging** federal, state and local funds. Currently each school district in Bexar County receives a combination of funding from three primary sources: the State of Texas, local property taxes, and the federal government
- Creating and utilizing **parent engagement tools** such as parent leadership and education classes, fatherhood initiatives, and perhaps parent contracts stipulating specific commitments and requirements
- Establishing the "**San Antonio Early Childhood Education Municipal Development Corporation**," an 11-member board appointed by the City Council and managed by an executive director who would report to the City Manager
- Partnering through memorandums of understanding (**MOUs**) with school districts
- **Assessing the program** through testing and data collection includes a 3 year "ramp-up" to ensure quality control. By year four, maximum program enrollment would be achieved and continued for a total of five years. Additionally, a three component program assessment has been budgeted 1) An independent program evaluation done by a top university or researcher; 2) Continuous student assessment for Model Center Students through the 3rd grade; and 3) An annual Bridge Study using the Texas Primary Reading Inventory (TPRI) used by the Texas Education Agency (TEA) required by the Foundation School Program.

The Budget:

Revenue:

\$ In Millions and Excluding \$12 Million in City Capital Resources

| | PY 2014 | PY 2015 | PY 2016 | PY 2017 | PY 2018 | PY 2019 | PY 2020 | PY 2021 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales Tax (1/8 Cent) | \$27.9 | \$28.9 | \$29.7 | \$30.6 | \$31.6 | \$32.6 | \$33.6 | \$31.0 |
| State Match | \$1.9 | \$4.0 | \$4.5 | \$5.4 | \$5.4 | \$5.4 | \$5.4 | \$5.4 |
| Special Education Federal Match Reimbursement | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.07 | \$0.07 | \$0.07 |
| Meal Reimbursement | \$0.6 | \$1.3 | \$1.5 | \$1.8 | \$1.9 | \$1.9 | \$2.0 | \$2.0 |
| Sliding Scale Tuition | \$0.06 | \$0.13 | \$0.15 | \$0.18 | \$0.18 | \$0.18 | \$0.18 | \$0.18 |
| Total Revenues | \$30.5 | \$34.4 | \$35.9 | \$38.0 | \$39.1 | \$40.2 | \$41.2 | \$38.7 |
| Prior Year Ending Balance | \$2 | \$17.2 | \$5 | \$13.3 | \$12.1 | \$11.7 | \$11.7 | \$11.7 |
| Total Available Funding | \$32.5 | \$51.6 | \$40.9 | \$51.3 | \$51.2 | \$51.9 | \$52.9 | \$50.4 |

Expenses:

\$ In Millions (Including Transfer to CIP)

| | PY 2014 | PY 2015 | PY 2016 | PY 2017 | PY 2018 | PY 2019 | PY 2020 | PY 2021 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Administration | \$1.2 | \$1.3 | \$1.4 | \$1.4 | \$1.5 | \$1.5 | \$1.6 | \$1.6 |
| Model Centers | \$7.6 | \$17.0 | \$19.3 | \$22.5 | \$23.0 | \$23.6 | \$24.2 | \$24.8 |
| Professional Development | \$2.2 | \$4.2 | \$4.2 | \$4.2 | \$4.3 | \$4.2 | \$4.2 | \$4.3 |
| Facilities | \$4.0 | \$4.0 | \$2.6 | \$3.0 | \$2.3 | \$2.3 | \$2.4 | \$2.5 |
| Grant Awards | \$0 | \$0 | \$0 | \$7.9 | \$8.1 | \$8.3 | \$8.6 | \$8.8 |
| Program Assessment | \$0.3 | \$0.2 | \$0.2 | \$0.2 | \$0.3 | \$0.3 | \$0.3 | \$0.3 |
| Transfer to CIP | \$0 | \$20.0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenditures | \$15.3 | \$46.7 | \$27.7 | \$39.2 | \$39.5 | \$40.2 | \$41.3 | \$42.3 |

Cash Flow:

\$ In Millions

| | PY 2013 | PY 2014 | PY 2015 | PY 2016 | PY 2017 | PY 2018 | PY 2019 | PY 2020 | PY 2021 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Beginning Fund Balance | \$0 | \$2.0 | \$17.2 | \$4.9 | \$13.2 | \$12.0 | \$11.7 | \$11.6 | \$11.6 |
| Revenues | \$2.0 | \$30.5 | \$34.4 | \$36.1 | \$38.1 | \$39.1 | \$40.1 | \$41.2 | \$38.7 |
| Available Funds | \$2.0 | \$32.5 | \$51.6 | \$41.0 | \$51.3 | \$51.1 | \$51.8 | \$52.9 | \$50.3 |
| Expenditures | \$0 | \$15.3 | \$46.7 | \$27.8 | \$39.3 | \$39.4 | \$40.2 | \$41.2 | \$42.2 |
| Ending Fund Balance | \$2.0 | \$17.2 | \$4.9 | \$13.2 | \$12.0 | \$11.7 | \$11.6 | \$11.6 | \$8.1 |
| Annual Cash Flow | +\$2.0 | +\$15.2 | -\$12.3 | +\$8.3 | -\$1.2 | -\$0.3 | -\$0.1 | \$0 | -\$3.5 \$0* |

Available Funds = Beginning Fund Balance + Revenues

Ending Fund Balance = Available Funds - Expenditures

Annual Cash Flow = Annual Revenue (Excludes Fund Balance) - Annual Expenditure

*with 12 Sales Tax Checks

MOU Highlights: The MOU being developed with the help of one of the state's leading school lawyers will detail specific school districts involvement such as:

- School Districts will be allocated a proportionate number of spaces to fill the Centers based on dividing the District's number of eligible children in the prior school year by the total number of eligible children in all participating Districts and then multiplying the resulting fraction by 90% of the total number of spaces in the Centers.
- School districts will pay the Centers for the number of used spaces at the Center from all available resources including but not limited to the state funding of Pre-K.
- The Centers will provide all educational services to participating children as an extension of the child's District home school including services to special needs children, English as a Second Language services, etc.
- The Centers are not legally required to provide transportation but may choose to contract with a school or other entity to provide it.
- School Districts must provide the Centers with the cohort student's progress reports between Kindergarten and 3rd Grade on assessments such as STAARS and any other benchmark assessments to assess the program's success.
- After three years, School Districts and other entities providing quality Pre-K may apply for a competitive grant to increase their offering of Pre-K from half-day to full-day or to expand full-day to more students.

Pros:

1. The Pre-K for SA investment addresses the City's need to raise academic achievement for the children of San Antonio by preparing them to become productive members of the future workforce.
2. The Brainpower Task Force Leadership includes members from the business sector as well as education experts who support a significant financial investment by the community to improve San Antonio's educational trajectory.
3. The proposal includes a strong parental engagement program to support the success of the children and the effort.
4. The 1/8-cent sales tax increase will be eligible to leverage state dollars.
5. The tax will invest in professional development for teachers at a time when school districts are looking for additional funding for professional development opportunities for all teachers because of state cuts. Since prekindergarten is not part of the State's accountability system, professional development for Pre-K teachers is limited.
6. Studies show benefit-cost ratio of high-quality Pre-K of at least a \$3 return for every \$1 invested, with the most commonly cited ratio being a \$7 return for every \$1 invested.

Cons:

1. The City of San Antonio only has 1/8-cent tax capacity before reaching the state imposed cap which would prevent the City from committing the revenue to other needs such as additional transportation projects for added capacity.
2. While the plan is to have the Education Excellence Centers conveniently located near major highways and close to VIA bus lines, the transportation issue is not resolved.
3. Other child care providers will be competing for the same state and federal funds and if they fail to meet milestones for student success they will lose funding.
4. The MOU has not been signed at this time by any local school districts because additional details are still being worked out, such as ensuring that the Centers are cost-neutral to all participating districts.

IMPLEMENTATION: The Chamber will communicate this position to the Mayor and members of the City Council, the media, and The Chamber membership through *The Chamber Today* and media releases.