

What's The “BIG” Picture?

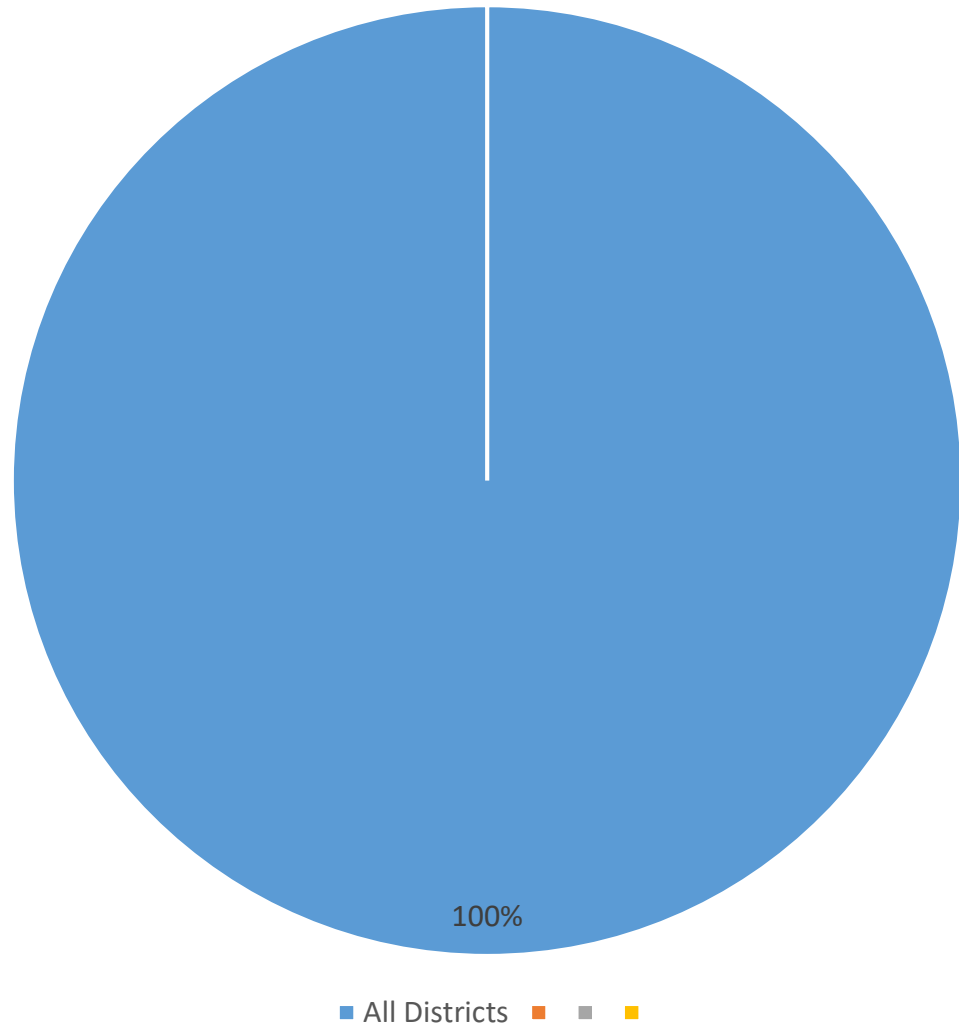
Texas Public Schools Pre-86th Legislative Summit

Longview, Texas

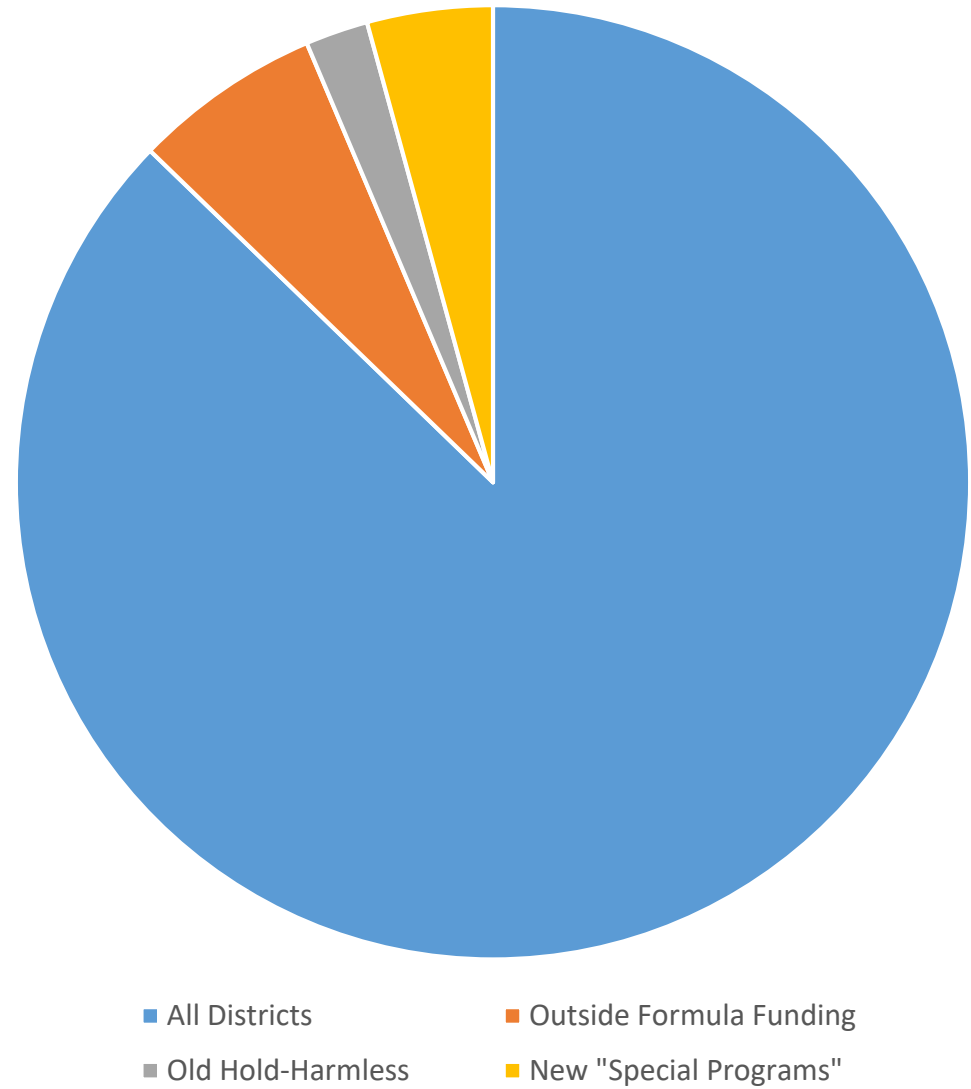
September 13, 2018

Information provided by the Equity Center (© Equity Center, 2018)

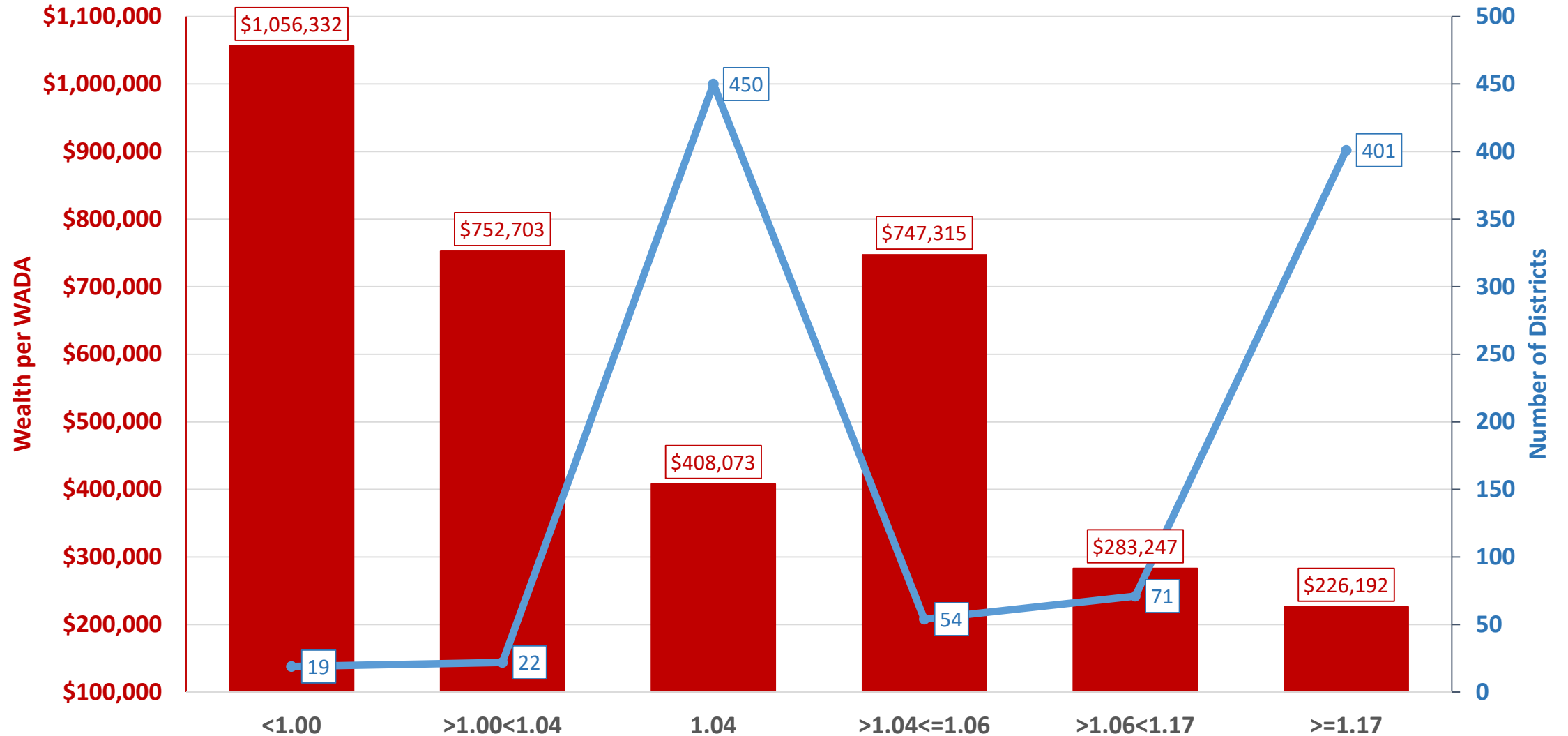
Funding Available for Public Education in Texas



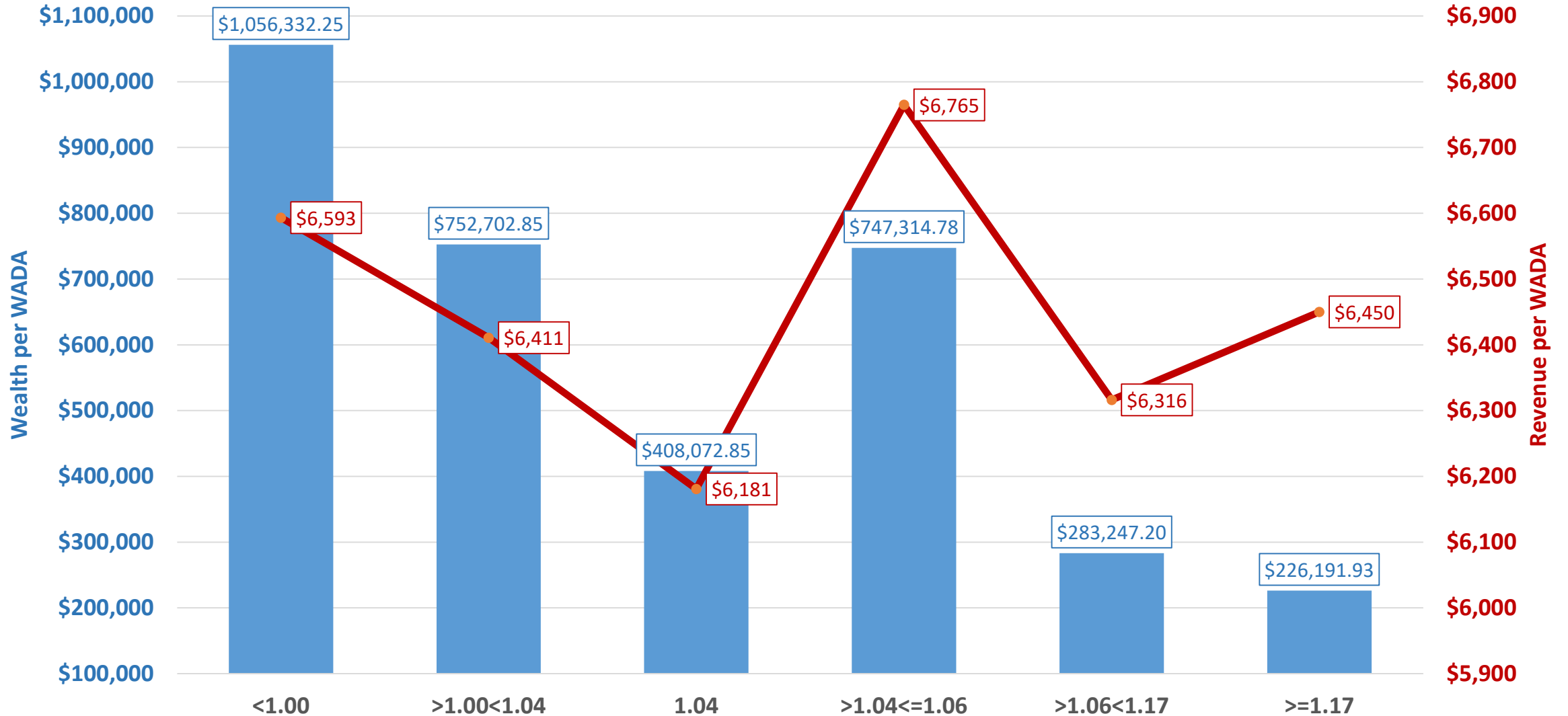
Funding Available for Public Education in Texas



FY 18 Average School District Wealth per WADA by M&O Tax Rate Groupings--TEA March Updates

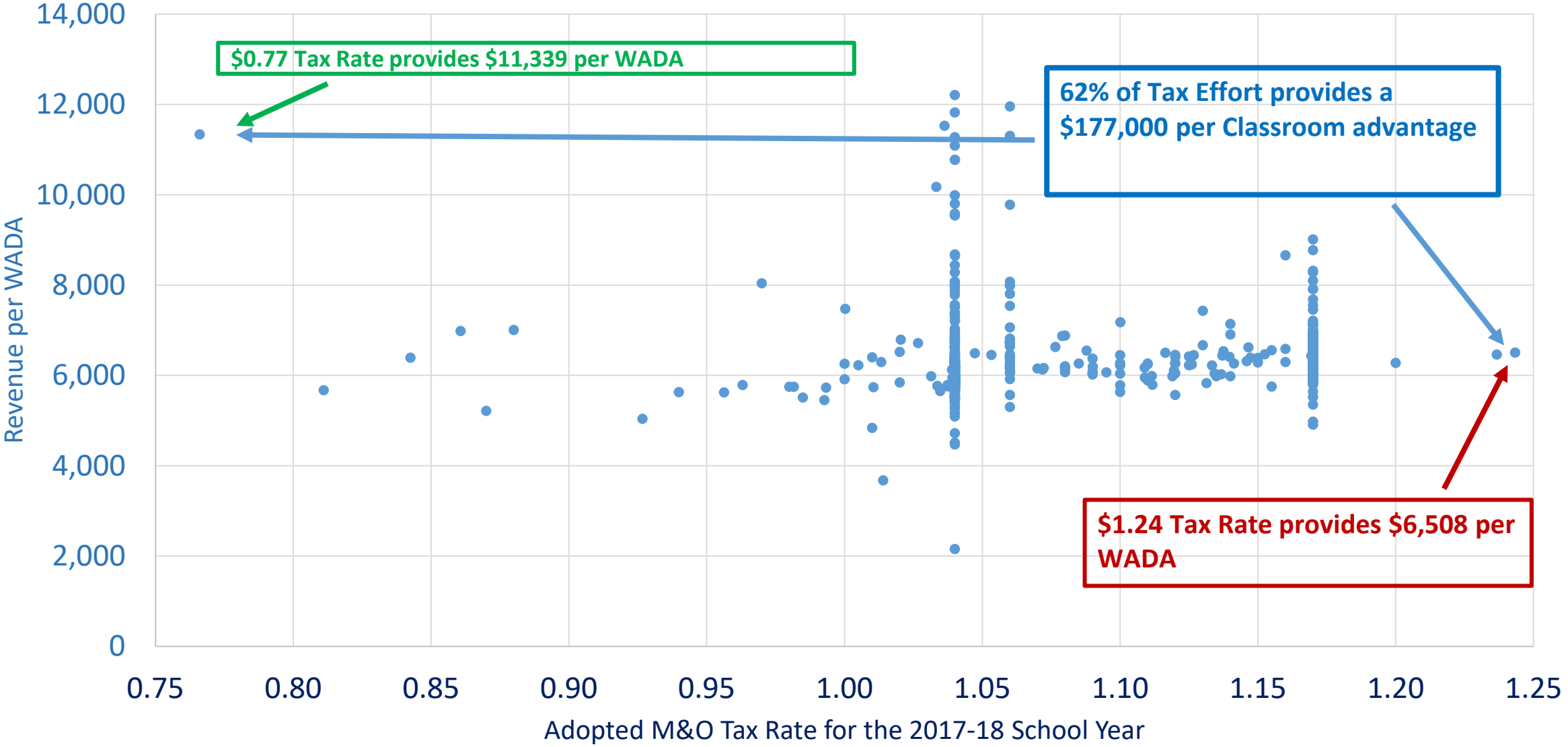


FY 18 Average School District Revenue per WADA & Wealth per WADA by M&O Tax Groupings--TEA March Updates



FY18 Revenue per WADA at M&O Tax Rate

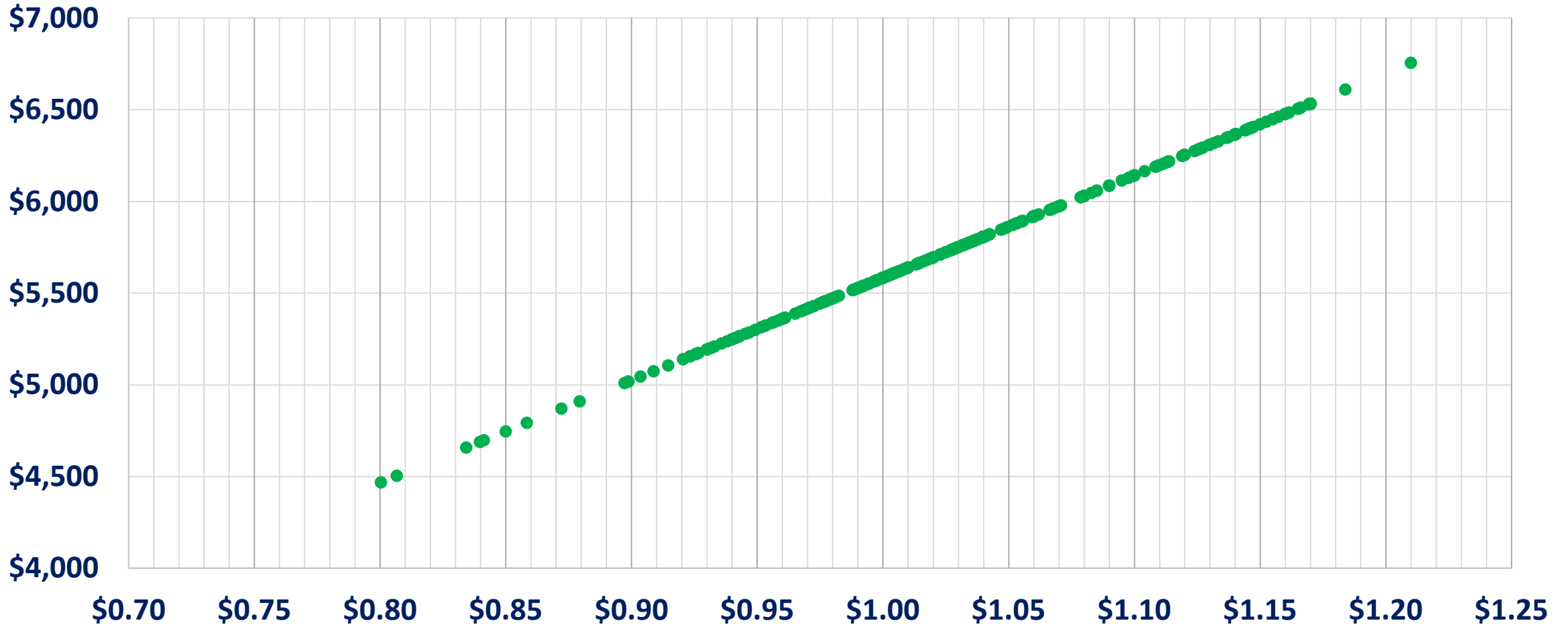
(with Hardship Grant) - Updated 8.24.18 from TEA's March Update



Texas School Finance--FY 18 on this Cost Based Formula Plan

BA \$5,583

Revenue per WADA Without Transportation



District M&O Tax Rates for FY 17

Major Concerns to Watch

- Discussions over District Adjustments (CEI, Mid and Small District Adjustments)
- Attempts to impact recapture (outside of raising the BA and other known cost elements in the system—ELL, Comp Ed)
- Forced Tax Compression
- Changes to Existing Cost-based Student Weights
- LOHE advantage for chapter 41 districts
- Incentive Plans

What would the current system without recapture look like?

Results are, of course, on average for the group indicated.

	FY18 M&O Tax Rate	FY18 Rev per WADA	FY18 Rev per WADA w/o Recapture	<i>Advantage per Classroom</i>
Net Recapture Districts	1.043	7,209	13,757	264,197
Everyone Else	1.101	6,231	6,196	--
Difference	(5.8) cents	978	7,561	--

Additional State Funding Needed for the Biennium (without recapture)



More than \$4,100,000,000

The data shown are based on TEA March Update for FY 2018 – Near Final data, which is more reliable, will not be available until the end of September, 2018.

Misleading Information from Large Districts is Driving the Train

(FY18 Data taken from TEA's March Update and the Equity Center's SAS model...we use actual WADA estimates, not Chapter 41 self-reported WADA)

Houston ISD

Wealth Level – \$635,000

Revenue per WADA (after recapture, of course) – \$6,027

Effective M&O Tax Rate Effort – ~~\$1.04~~ **\$0.96**

- Taking its 20% Local Option Homestead Exemption into consideration

Recapture - ~~\$241,157,989~~ minus *\$122,939,701 in state aid*, nets recapture down to ~~\$118,218,289~~ minus *\$335,211,697 in state aid for HISD-located charter schools* (whose parents pay HISD taxes) **completely nets out recapture** with over \$200 million to spare.

Recapture is good, works well, but there are some problems that need to be addressed (FY18 Data taken from TEA's March Update and the Equity Center's SAS model...we use actual WADA estimates, not Chapter 41 self-reported WADA)

Sundown ISD

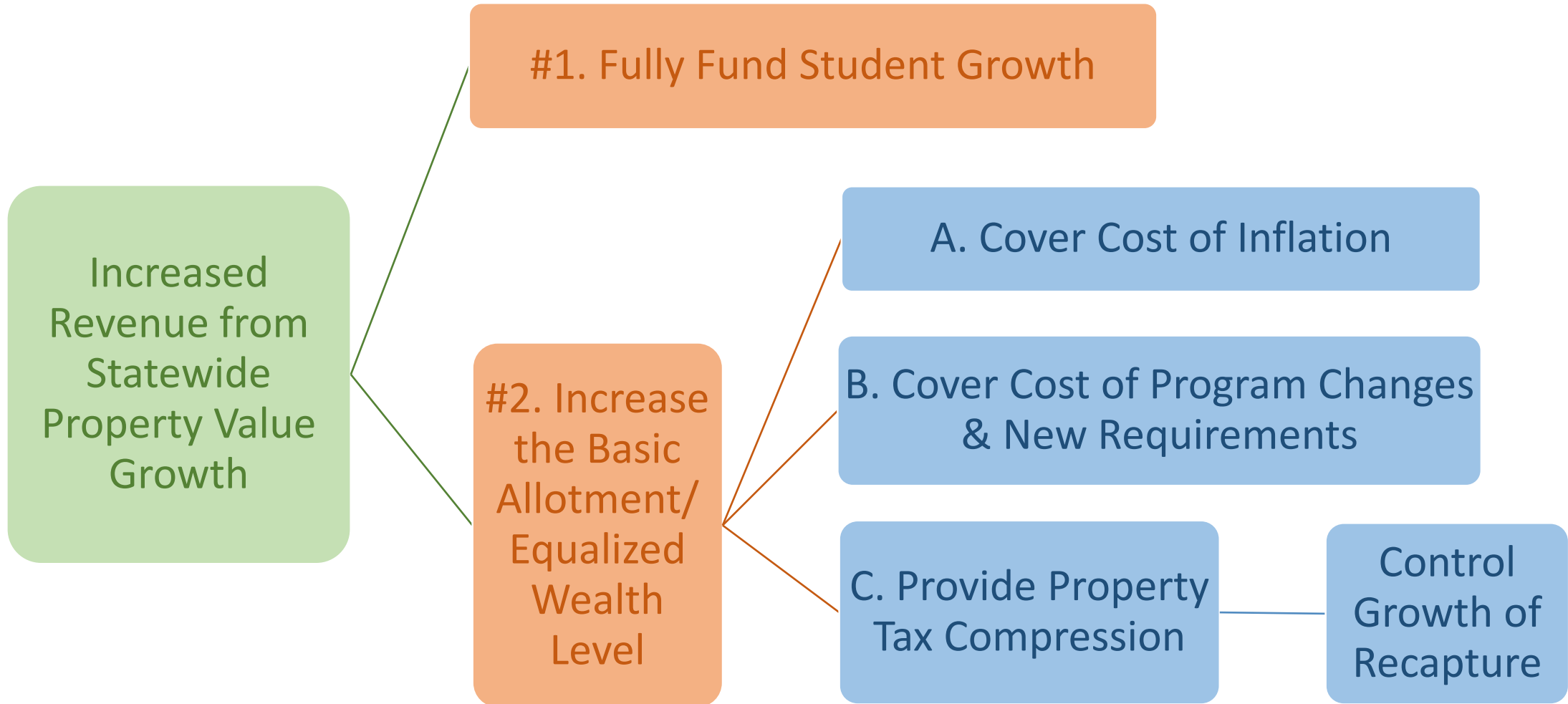
- District Property Wealth – **\$796,000**
- WADA – 869
- M&O Tax Rate – \$1.04
- M&O Revenue per WADA – **\$11,275**
- Recapture - **\$0** (*based on actual estimated WADA, using Chapter 41 self-reported WADA, recapture calculates to be estimated, recapture calculates to be about **\$153,138***)

Carthage ISD

- Property Wealth – **\$798,000**
- WADA – 3,428
- M&O Tax Rate - \$1.04
- M&O Revenue per WADA – **\$5,988**
- Recapture - **\$8,189,387** (Or, **\$2,047,347** *when divided by 4 to get a Sundown ISD equivalent due to differences in district WADA counts*)

Two primary differences...Carthage ISD (according to the Summary of Finance data) *lost taxable value*, which reduces revenue...Sundown ISD has a *1993 wealth hold harmless*, which greatly increases its revenue...(both get Hardship Grants, which are included in these totals).

Proper Use of Property Value Growth—In an Efficient System



Example—Cumulative Effect of Tax Compression in an Efficient Funding System

Year	Current DPV/ WADA	BA Growth Kept	BA Growth for Tax Compression	Historical Basic Allotment (BA)/Equalized Wealth Level (EWL)	Historical Average M&O Tax Rate	BA/EWL after Growth	Impact of Continued Compression of M&O Tax Rates
FY10	280,425	0.0%	0.0%	4,765/476,500	1.0557	4,765/476,500	1.056
FY11	269,672	0.0%	0.0%	4,765/476,500	1.0629	4,765/476,500	1.063
FY12	281,553	2.5%	1.9%	4,765/476,500	1.0673	4,856/485,600	1.043
FY13	283,444	0.7%	0.0%	4,765/476,500	1.0684	4,856/485,600	1.044
FY14	290,200	2.4%	0.0%	4,950/495,000	1.0727	4,856/485,600	1.048
FY15	297,034	2.4%	0.0%	5,040/504,000	1.0742	4,856/485,600	1.049
FY16	319,068	2.5%	4.9%	5,140/514,000	1.0812	5,095/509,500	0.996
FY17	307,303	0.0%	0.0%	5,140/514,000	1.0869	5,095/509,500	1.002
FY18	350,368	2.5%	11.5%	5,140/514,000	1.0934	5681/568,100	0.876
FY19	370,615	2.5%	3.3%	5,140/514,000	1.0934	5,867/586,700	0.840

BUT,

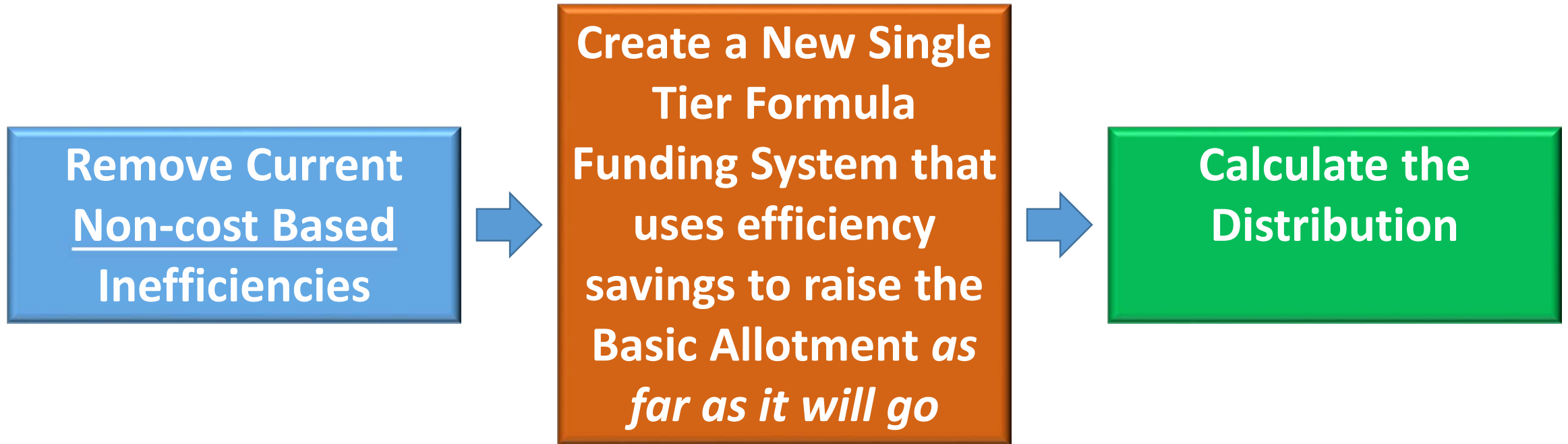
How do *WE FIX* a funding system that is this
irrational and *inefficient*?



Principles of an Efficient Funding System

- Makes sense for everyone
 - Not based on one district's crisis
 - And especially not on a set of runs
- Based on actual costs
 - Can't have equity without efficiency
 - Can't have efficiency without equity
 - Can't have adequacy without everyone being together!
- Fair to Texas' taxpayers
 - Your tax dollar should generate the same level of state & local funding for your children as **my dollar** does for mine.

Creating a Simplified, Efficient System of School Finance



Efficiency Savings

- The plan eliminates inefficient, **non-cost based elements** from the current funding system
 - This creates **efficiency savings** that can be used to address important funding issues in ways that **benefit all Texas' children and taxpayers**
- High School Allotment
 - Staff Allotment
 - Early Agreement Credit
 - 1993 Wealth Hold-harmless
 - Hardship Grant
 - Property Value Decline Funding
 - Prior Year Values
 - Tier 2 Golden/Copper Pennies
 - Per Capita Double Dip
 - Gifted & Talented Allotment
 - Public Education Grant

Every District is Guaranteed Access to the Full Sum of its Allotments, plus Transportation and Enrichment

