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To find the right solution, you have to ask the right questions.

Question 1: What are the statutory requirements of our public school system?

Question 2: How well is our system working to address these requirements? (does it measure up?)

....What is your tax rate? (local tax effort)

...What is your funding level? (what you keep)

Guiding Provisions



Texas Constitution, Article 7, Section 1:

Support and Maintenance of System of Public Free Schools. A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

Texas Education Code, Section 42.001(b)

The public school finance system of this state shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

Our Super-Sized Problems... An Inequitable System

- Tax effort all over the map.
- Funding per student all over the map.
- Not prioritizing bringing up the bottom.
- A true, funding lottery feeling lucky?



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



Focusing on Symptoms Not Solutions

- Focusing on recapture... <u>doesn't help</u> the majority of students/districts.
 - The problem is the broken system, not recapture.
 - Fixing the system also fixes complications with recapture.



Focus on fixing the problem (system) – because focusing on fixing the symptoms (recapture, hold harmless, etc) often further exacerbates the problem!

* Preview Solution: focus on cost-based funding for a more efficient system!

School Finance Lottery

...how lucky are you?



School Finance Shouldn't Look Like This...

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Our Super-Sized Problems... An Inefficient System



- ► Funding <u>not</u> based on costs.
- Some formula funded, some <u>not</u>.
- Outdated weights and allotments.
- Loopholes, band-aids, and more.

This chart illustrates some of the loopholes, band-aids and exceptions currently in our funding system. In an efficient system, all taxpayers and all students are treated fairly.

This means <u>tax effort is considered</u>, <u>student</u> <u>funding levels are considered</u>, and all districts would be <u>funded through the</u> <u>formula system</u> designed to account for varying costs that impact districts and students.

An efficient funding system does <u>not</u> deliver money to non-cost-based add-ons just because we always have. What Really Sets Recapture Districts Apart—FY 18 TEA Near Final Data, Sept. 2018

Funding Exceptions	Qualifying Districts	Current Law Average Funding Level per WADA	Average Adopted M&O Tax Rate	Average Advantage per WADA Provided These Districts	Total State Resources Lost to all Other Districts Because of the Exception
1993 Wealth Hold-harmless	40	\$6,931	\$1.041	\$751	\$30,076,694
Early Agreement Credits	175	\$6,840	\$1.079	\$28	\$32,522,774
ASF Per Capita on Top	133	\$7,149	\$1.044	\$107	\$107,227,577
High School Allotment on Top	117	\$7,159	\$1.047	\$52	\$48,125,478
New Instructional Facilities Allotment (NIFA) on Top	18	\$7,127	\$1.060	\$40	\$3,310,271
Additional State Aid for Homestead Exemption (ASAHE) on Top*	154	\$6,980	\$1.078	\$18	\$20,783,450
Local Option Homestead Exemption (LOHE) 50% Credit for Chapter 41s	67	\$7,100	\$1.068	\$176	\$96,547,673
Disaster Relief for Chapter 41s	We do not have accurate numbers available yet for this category, but to the extent hurricane Harvey cost are not covered by FEMA, etc., the ability to cover these costs out of recapture could represent tens of millions of dollars of relief for recapture districts that will not be available to any non-recapture districts under current law.				

**Additionally, these exceptions do not include proposals that may become bills that seek to allow districts to further discount their recapture by artificial caps, allowing credit against recapture for the cost of local PreK, and/or counting charter school enrollment in their wealth calculation.

What Gives?



- Our current system is FULL of inefficiencies, add-ons, loopholes and outdated provisions – most of which were designed to "ease the pain" for different districts when policy changes were put into place.
- Over the years, it's become complicated, messy and just plain unfair to a large number of Texas students funded at the bottom and Texas taxpayers being taxed at the top.

Determining State/Local M&O Funding



The State provides whatever is lacking after applying the Available School Fund Per Capita payment and the M&O tax collections (both current and delinquent) for the school year.

Local M&O taxes collected during the school year constitute a district's local share.

The first payment to fund a district's M&O funding amount comes from its Available School Fund Per Capita distribution.

Determining M&O Excess Funding (Recapture)



Recapture Examples: <u>Net</u> Recapture

Houston ISD

Wealth Level – \$635,000

Revenue per WADA (<u>after</u> recapture, of course) – \$6,027

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

Taking their 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.

Problems In Recapture (which mostly works)



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 \$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).



Section 41.003. Options to Achieve Equalized Wealth Level. A district with a wealth level per student that exceeds the equalized wealth level <u>may take any combination of the following actions</u> to achieve the equalized wealth level:

- (1) consolidation with another district as provided by Subchapter B;
- (2) detachment of territory as provided by Subchapter C;
- (3) **purchase of average daily attendance credit** as provided by Subchapter D;
- (4) education of nonresident students as provided by Subchapter E; or
- (5) tax base consolidation with another district as provided by Subchapter F.

ALL Taxes are Recaptured







Sales Tax: Also <u>Recaptured</u>

City	Payment: Year to Date
Houston	\$517,228,305.56
San Antonio	\$265,788,254.82
Dallas	\$228,277,429.86
Austin	\$168,257,978.06
Fort Worth	\$117,532,730.67

Ch.42 Property Taxes: <u>Recaptured</u>



Our Super-Sized Problems... Overlooked Facilities Funding

- Tax effort all over the map.
- Your penny doesn't earn as much.
- Stagnant since 1999 (almost 20 years).
- Loopholes, perks and more.



As Bond Payments Increase for Taxpayers, State Assistance is on the Decline



Comparison of EDA/IFA Funding Levels and Percent of ADA in Eligible Districts Statutorily Frozen at a \$35 Guaranteed Level vs. Original Equity Level Maintained



A Very Unequalized Equalization System for Facilities

The Average Existing Debt Allotment Funding Level

2017-18 (Limited to \$0.50)



A Closer Look



Actually, of 167 pennies available to tax (\$1.17 M&O and \$0.50 I&S)

56 or 33.5% of them are <u>not recaptured at all</u>

Our Super-Sized Problems...

...Adding it all up

- Basic Allotment frozen for 4 years.
- Enrollment up 300,000+ during those years.
- Weights & Allotments unchanged for 30 years.
- Facilities funding stagnate for 19 years.
- Quick fixes, band-aids, and more.
- Shrinking the pie before distributing to all students.



One Pie for All Needs

Funding Available for Public Education in Texas



Funding Available for Public Education in Texas



Old Hold-Harmless

Funding with One Pie...



Funding for Texas' students needs to <u>make sense for everyone</u>.

It can't be based on one district's crisis, and runs shouldn't dictate policy. Policy dictates runs.

Funding decisions must be <u>based on actual costs</u>, holding to the TEC §42.001 promise to provide substantially equal access to similar revenue at a similar tax rate.

Funding Texas' schools should be fair to Texas taxpayers.

Your dollar should generate the same level of funding for your children as my dollar does for mine.

State vs Local Share

... from the Texas Education Agency



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Total funding per enrolled student has increased 29% (from \$8,800 in FY2006 to \$11,349 in FY2017)



The Numbers Are In

...a biennial comparison of state vs local share



Now What?

...stay tuned for our Super-Sized Solutions

- Part 2 Super-Sized Solutions
 Wednesday, December 12th
 9:30 a.m. 11:00 a.m.
 Capitol Grille
- Check your e-mail to RSVP or visit the newly-launched Equity Center site.

www.equitycenter.org/events



