

Equity Gains Under HB 3, 86th Legislative Session

Equity Center Membership Meeting

June 24, 2019



Equity Center

Students Matter. Taxpayers Matter. Equity Matters.

© 2019 Equity Center

The Plan is based on these basic elements

- All districts are funded alike
 - All school funding elements are in Chapter 42
 - No funding elements in Chapter 41
 - There are NO Chapter 41 and 42 districts
- One Basic Allotment for everyone – AND it applies to all pennies of tax rate from \$0.01 through \$1.17
 - There is only one tier, with all 117 pennies funded at the same level
 - No Guaranteed Levels
 - No Equalized Wealth Levels
 - No Tier 2, Golden or Copper Pennies

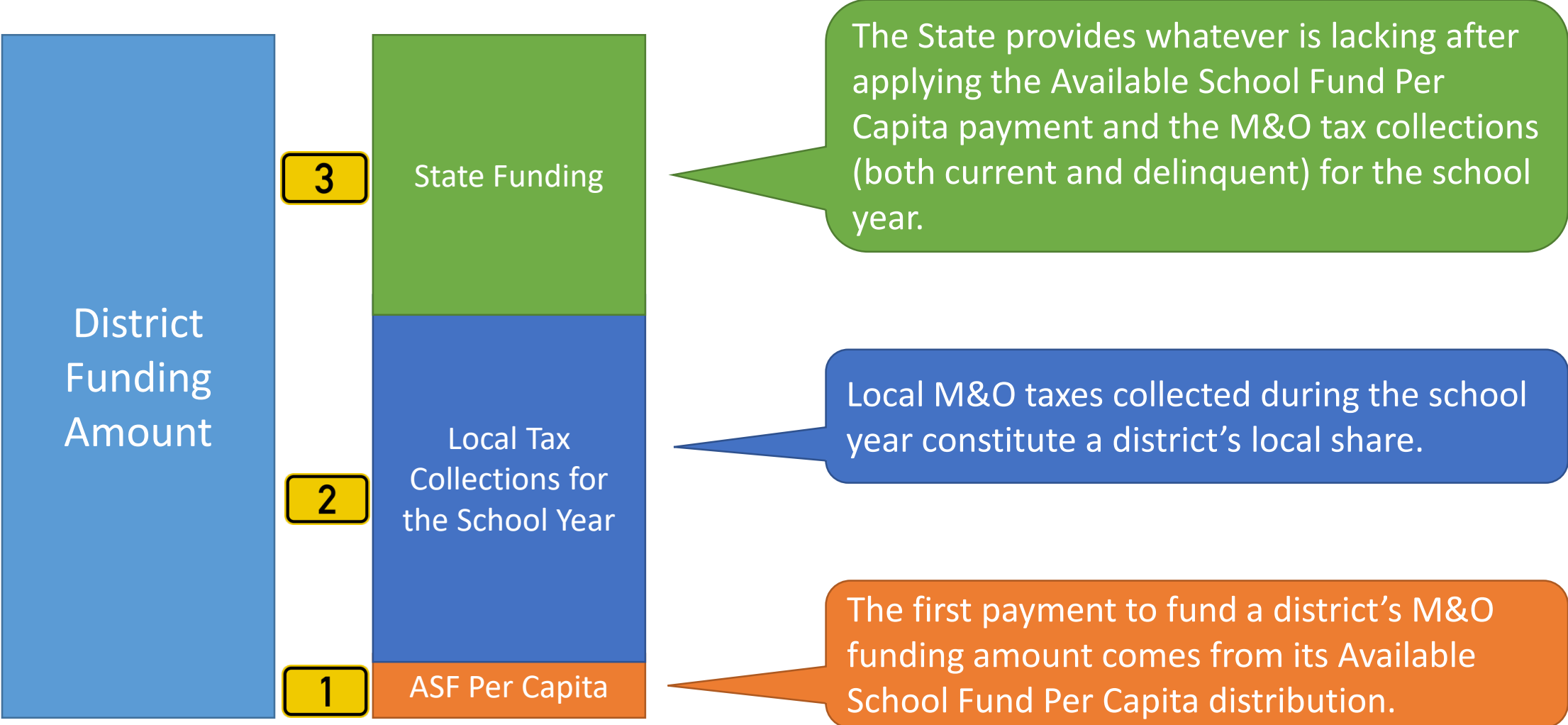
The Plan is based on these basic elements

- No prior year value surprises or inequities
- Guaranteed revenue – no tax collections surprises
- WADA is calculated by a much simpler formula
 - No funding is determined by WADA calculations
 - WADA is only used for equity measurements
- Collections do not determine funding
 - It is a stable system based on the needed funding level, not the state of a district's economy
- No convoluted recapture calculations that no one understands
- Everyone treated the same for ASF Per-Capita and Transportation

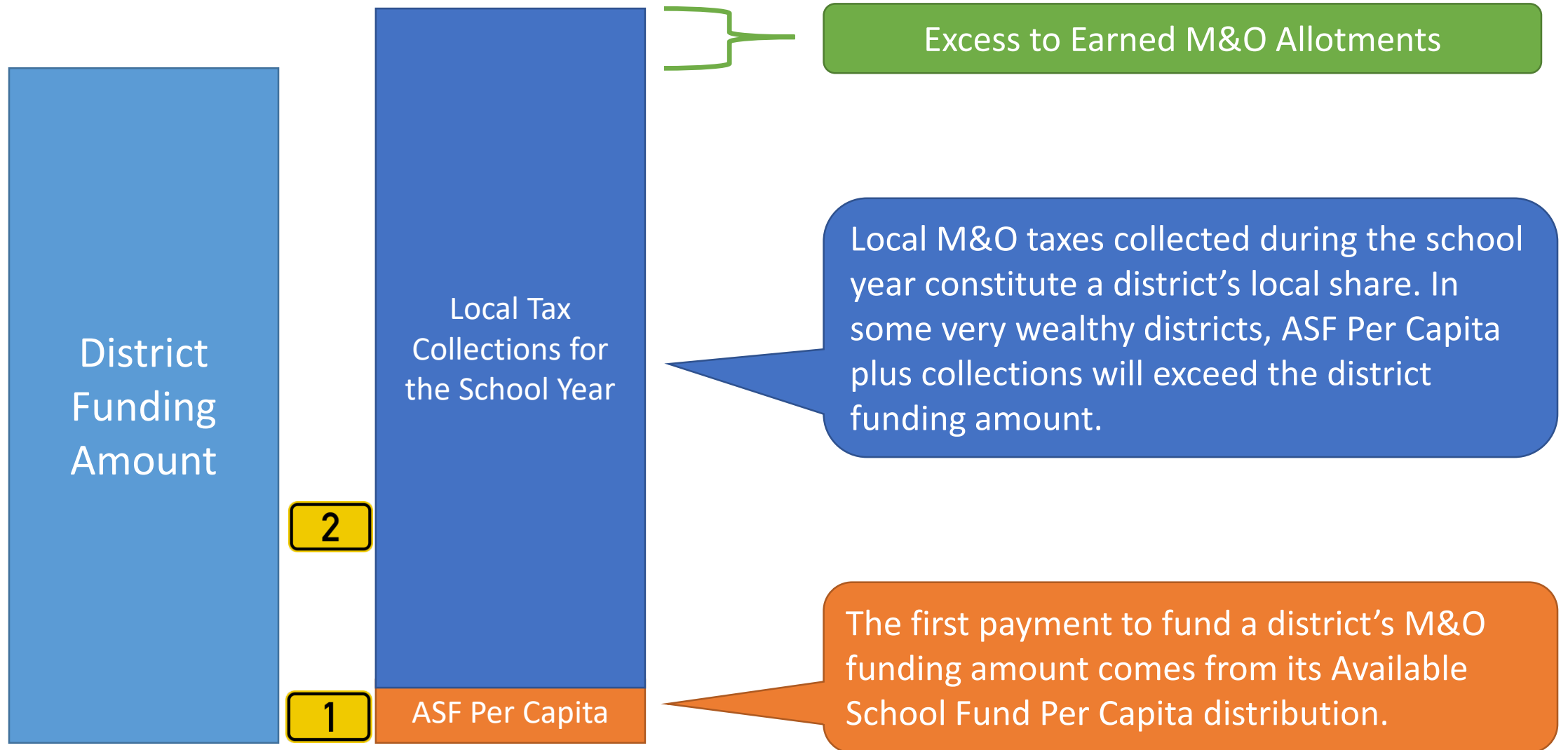
Efficiency Savings

- 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
 - New Instructional Facilities Allotment
 - Gifted & Talented Allotment
 - Public Education Grant

Determining State/Local Funding for M&O



Determining M&O “Excess” for Property Wealthy Districts



Equity Gains From HB 3, 86th Legislative Session

Basic Allotment increased from \$5,140 to \$6,160



Funding formulas moved to a Single Chapter, placing all school districts on formula funding, regardless of wealth



Funding formulas changed to base calculations on Current Year Values, moving an additional \$3.6 Billion into the Equalized Funding System



ASF Per Capita included as first funding for all districts, ensuring all districts, regardless of wealth, receive Per Capita funding the same way



Equity Gains From HB 3, 86th Legislative Session (cont.)

Eliminated the High School Allotment, rolling those funds into the Equalized Formula System, ensuring all districts are impacted equally



Eliminated the Staff Allotment, rolling those funds into the Equalized Formula System, ensuring all districts are impacted equally



Eliminated the GT Allotment, rolling those funds into the Equalized Formula System



Moved optional Local Option Homestead Exemption funding to Chapter 48 for all districts, making sure that all districts with a LOHE, if funding is available, receive it in the same way, regardless of district wealth



Equity Gains From HB 3, 86th Legislative Session (cont.)

Eliminated the 4% Bonus in funding recapture districts received for simply signing a Letter of Agreement to Purchase Attendance Credits by September 1 each year

✓

Put the 1993 Wealth Hold-Harmless (26 years old) on a 5-year Phase Out to elimination

✓

Eliminated the 2017 Hardship Grant

✓

Disaster Relief placed in Chapter 48 so that it impacts all districts uniformly

✓

Eliminates the Equalized Wealth Level and puts all districts in the same Formula Funding System

✓

Equity Gains From HB 3, 86th Legislative Session (cont.)

Changes “Recapture” to Local Revenue in Excess of Entitlement and greatly simplifies the calculation, increasing equity

✓

Increases the Yield on Copper Pennies to nearly \$50 per WADA per penny, and ties the Yield to 80% of the Basic Allotment, so the Yield Increases as the BA Increases

✓

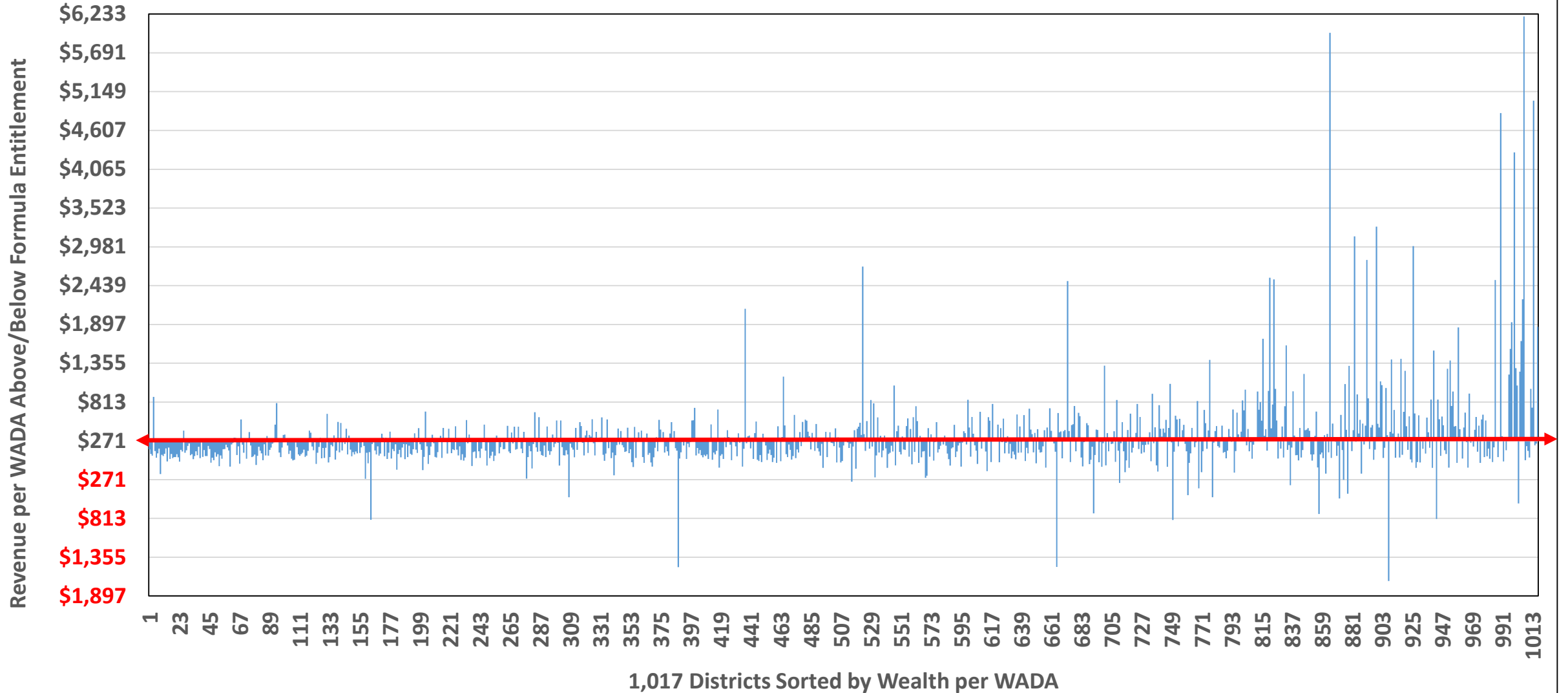
Requires all districts to adopt tax rates equal to their New Compressed Rates in order to earn Full Entitlement in Tier 1

✓

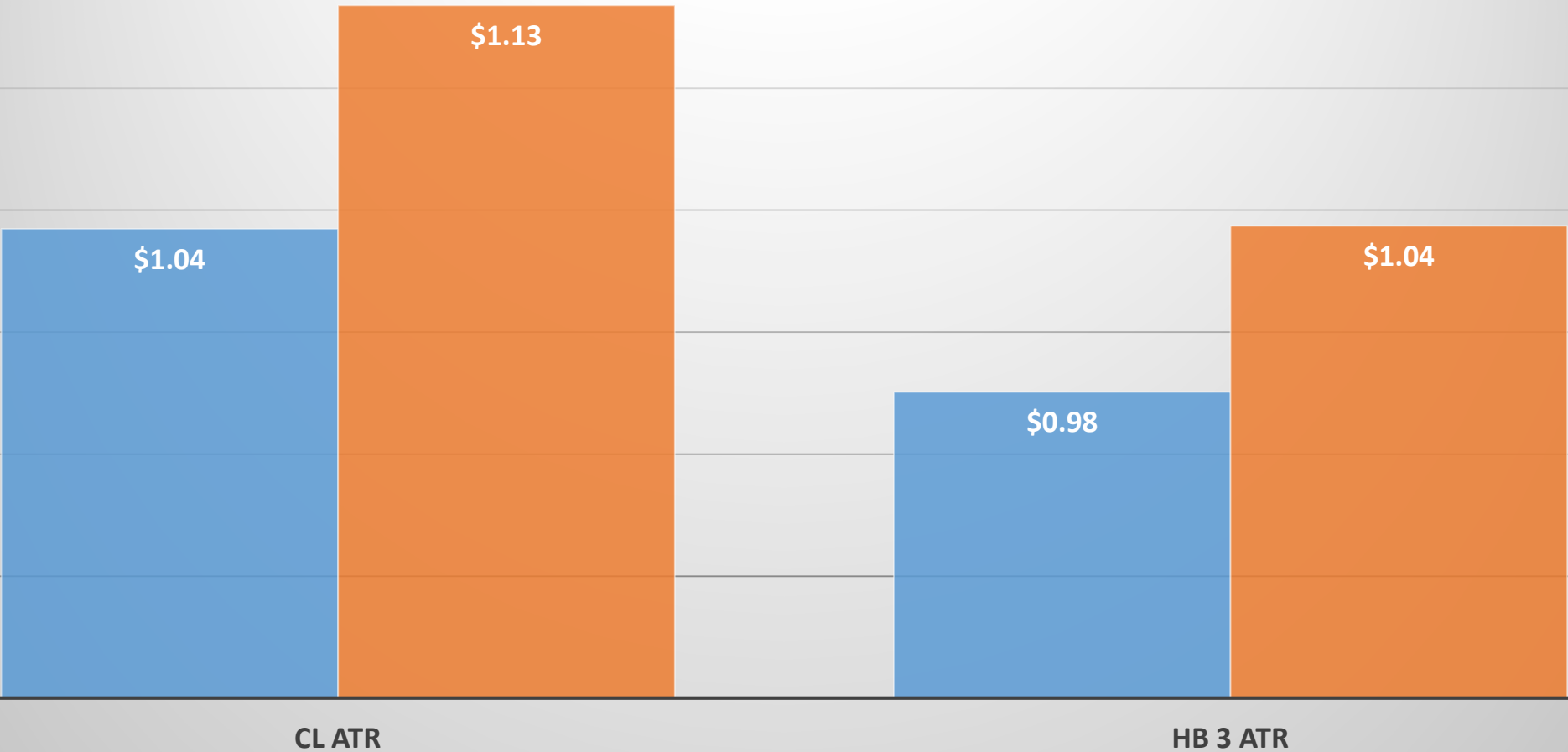
Forces all districts to tax at full New Compressed Rates before they can access any Tier 2 Golden or Copper Pennies

✓

Impact of the Use of Prior Year Values on District Funding Above/Below Formula Entitlement FY 19

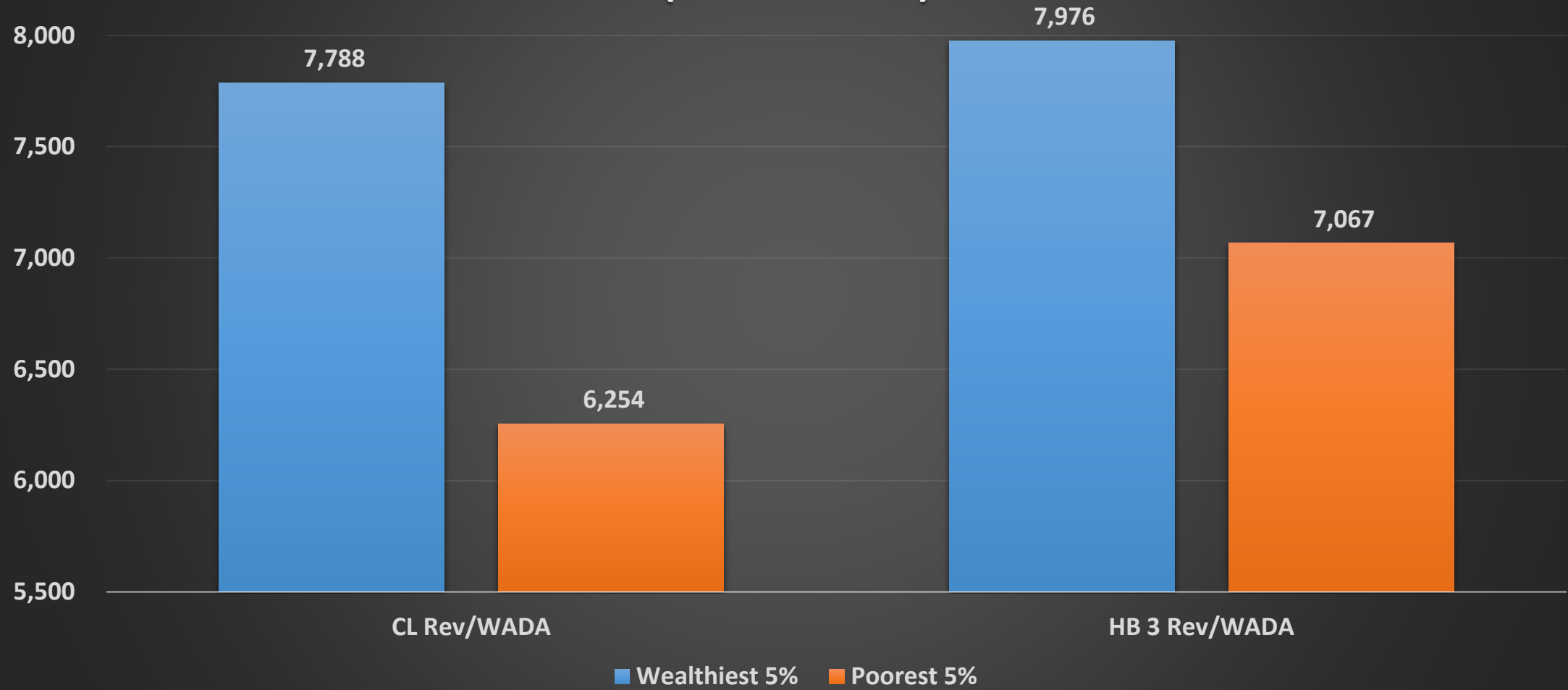


Current Law/HB 3 Average M&O Tax Rates FY 20

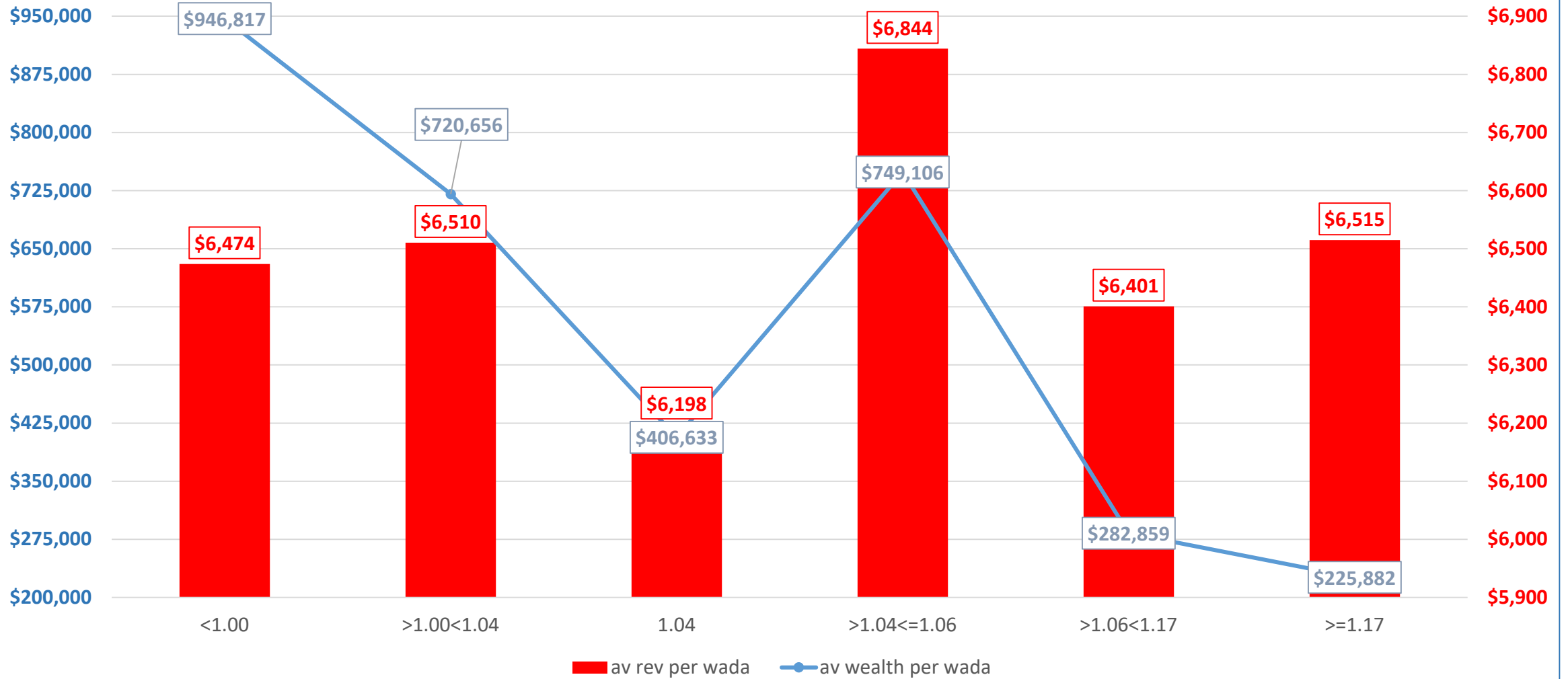


■ Wealthiest 5% ■ Poorest 5%

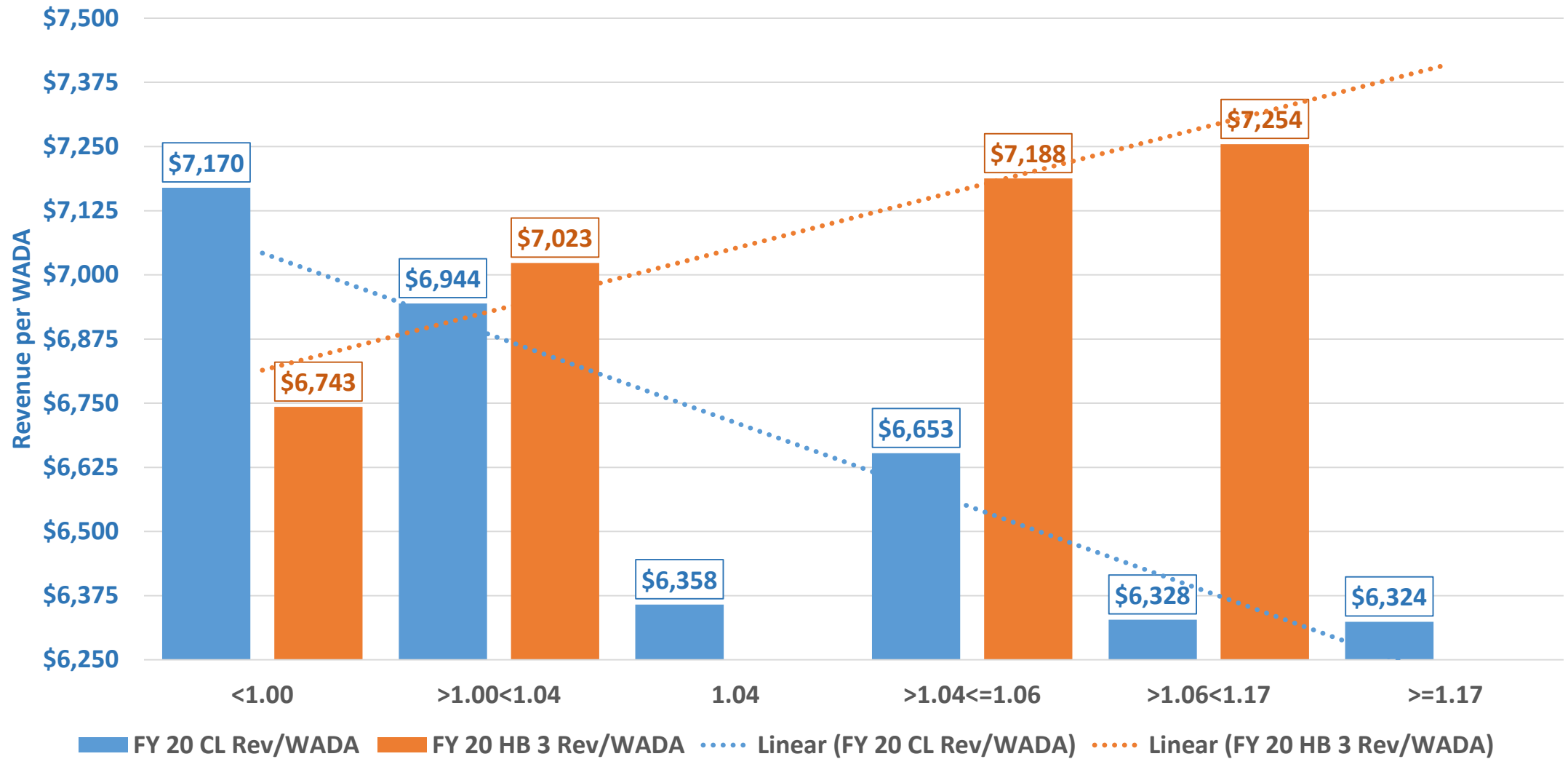
Current Law/HB 3 Average FY 20 Revenue/WADA (HB 3 WADA)



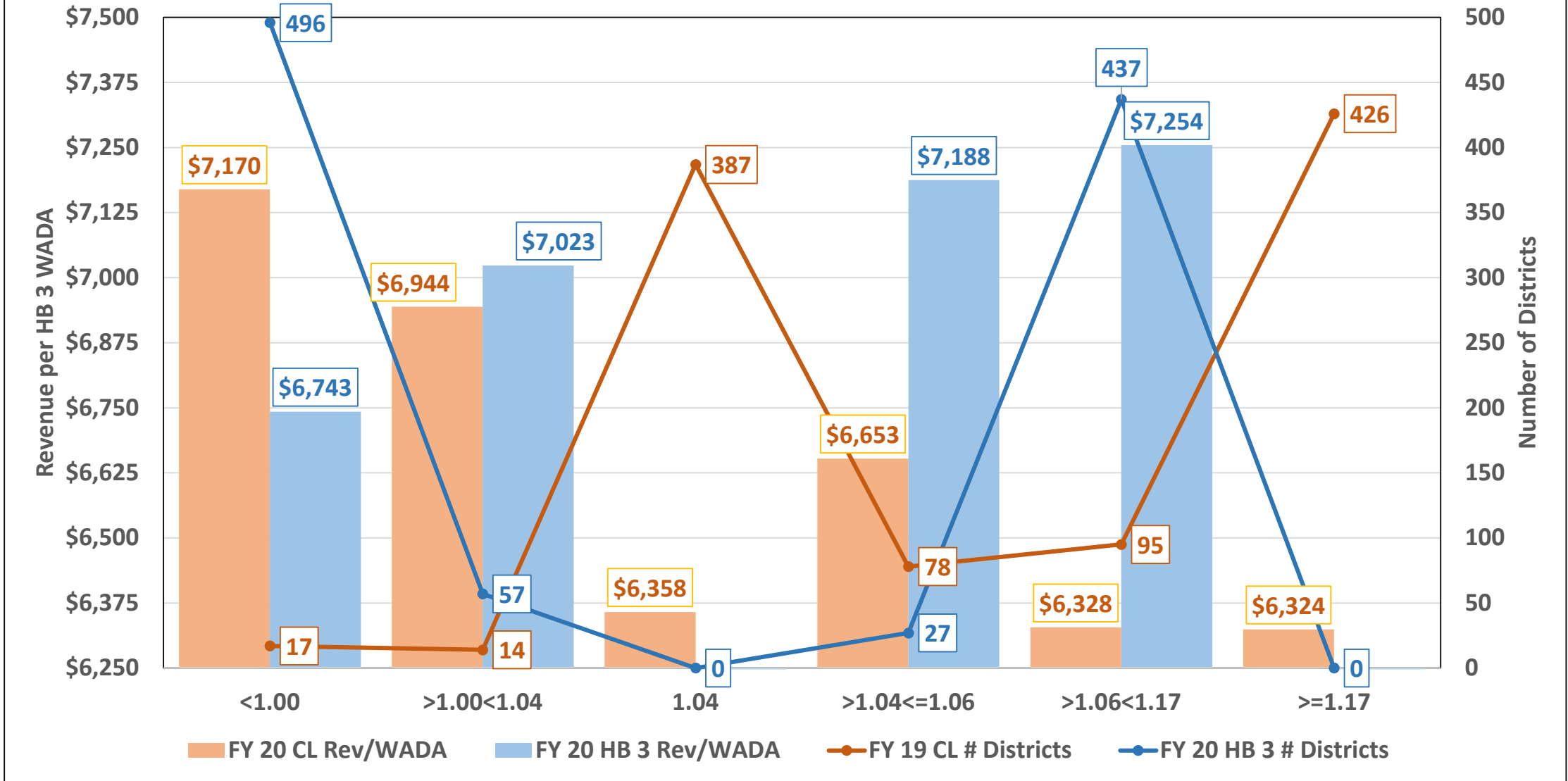
FY 18 Near Final--Average Revenue per WADA & Wealth per WADA per M&O Tax Effort



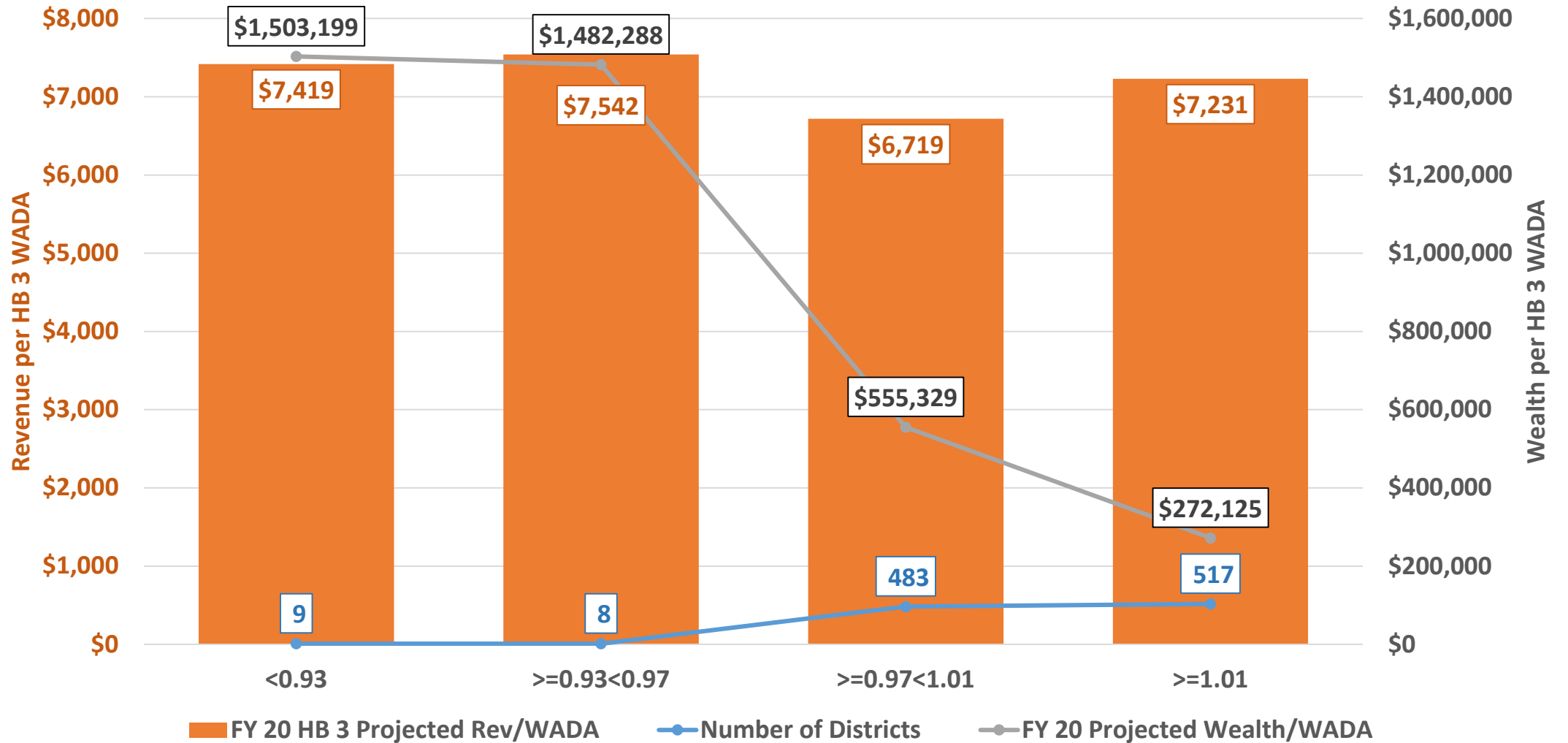
HB 3: Correcting the Equity Trends for FY 20



Comparative Equity Between Current Law & HB 3 FY 20



HB 3 Major Tax Rate Categories After Compression FY 20



Future Equity Concerns

- Need to Move to Current Year Collections to Guarantee “all” districts receive full Tier 1 Entitlements
- Eliminate last minute Exceptions for certain Districts (313 exception)
- Work to Equalize I&S funding
- Tier 2 Golden Penny Yields
- Future District x District Tax Compression
- Make sure 5 year long “Transitions” don’t become permanent Hold-harmlesses
- Involvement in new “CEI” and “Transportation” studies