

“Where to NOW!”

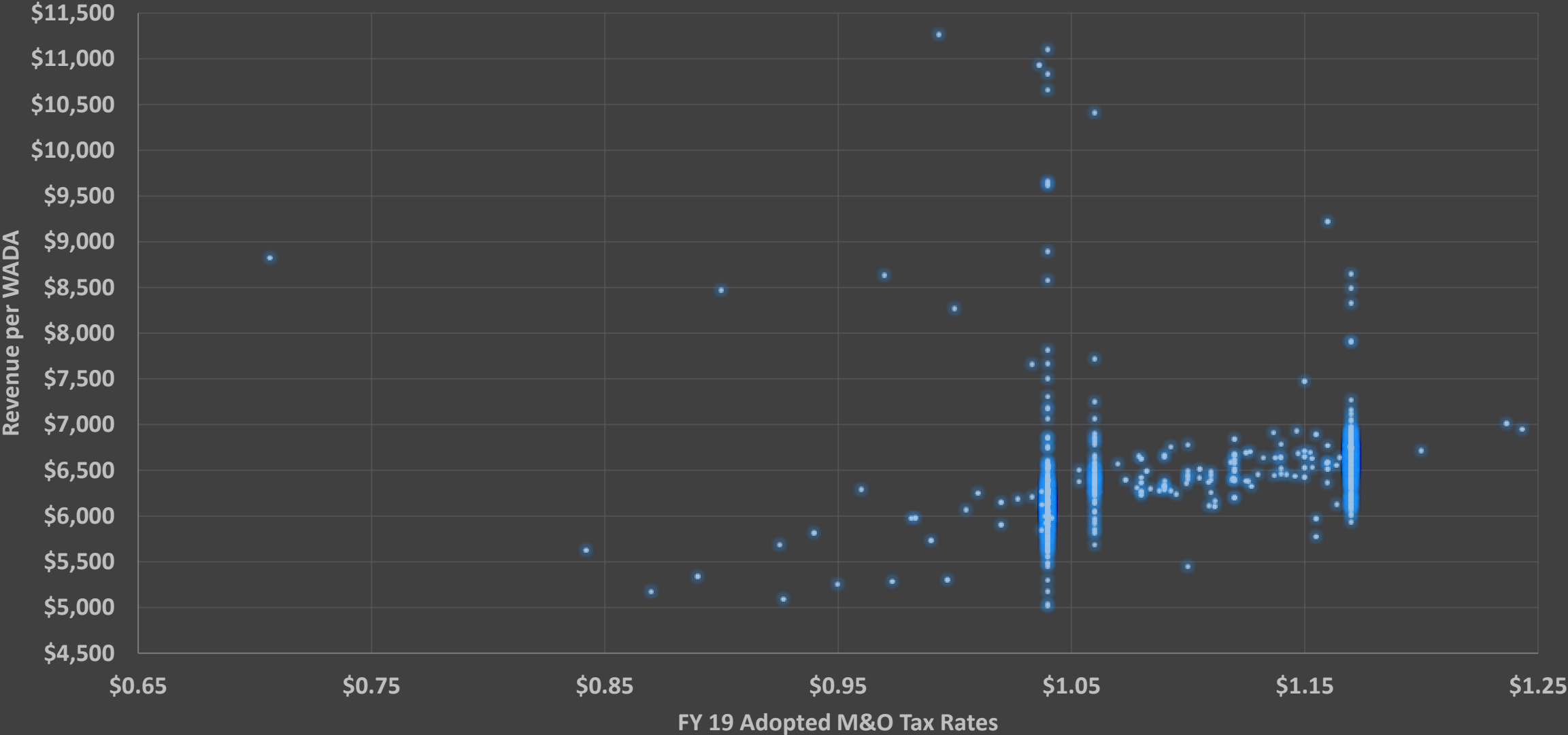


TEXAS PUBLIC SCHOOLS POST 86TH LEGISLATIVE SUMMIT

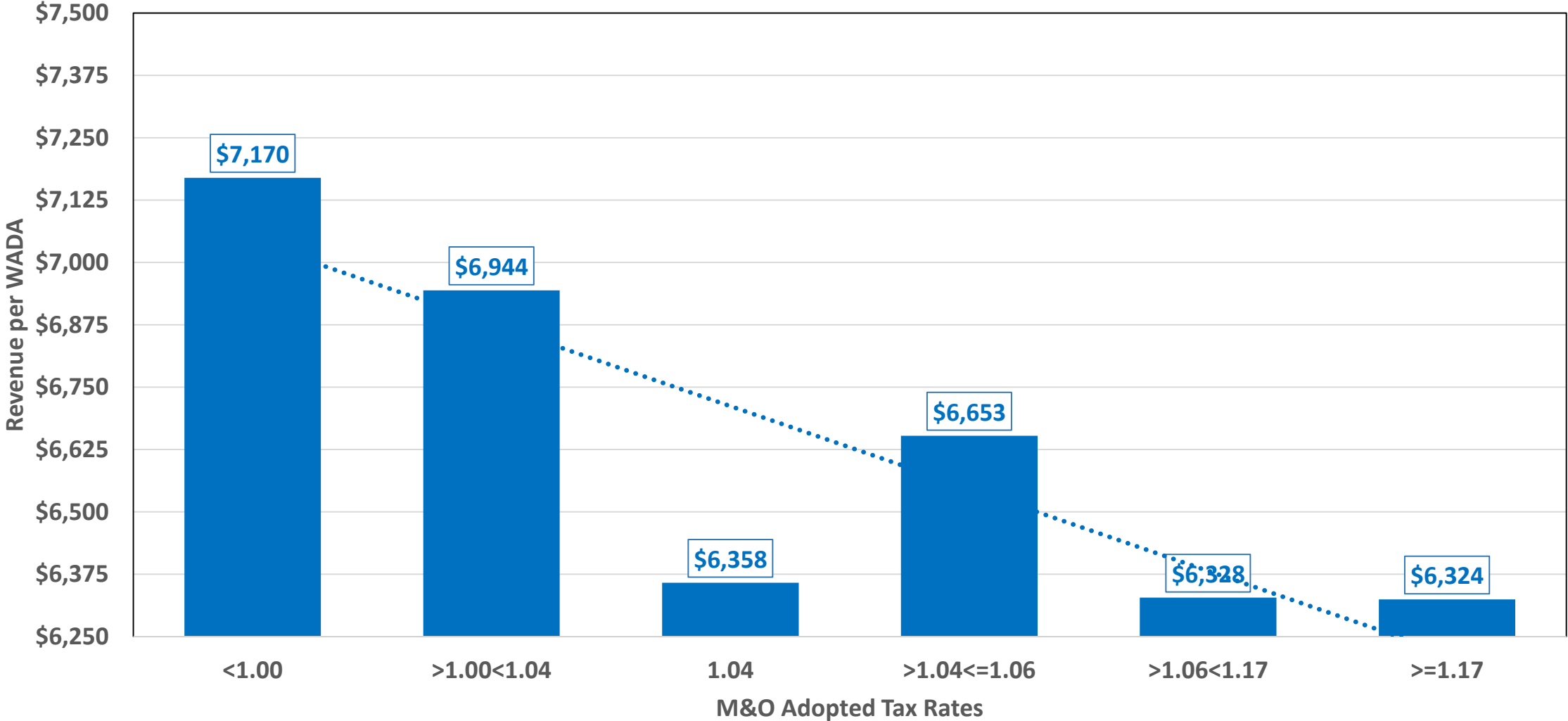
Wednesday, September 25, 2019

Hilton Garden Inn & Suites, Longview, TX

Prior Law FY 20 Projected Revenue/WADA by Adopted Tax Rate



FY 20 Prior Law (PL) Rev/WADA



A Blueprint for Success

- Equity Center Plan
 - Efficient, cost-based system.
Equity, similar revenue for similar students for similar tax effort.
- 2017 Legislative Session [SB 2145](#)
- Texas [Commission](#) on Public School Finance
- [House Bill 3](#)

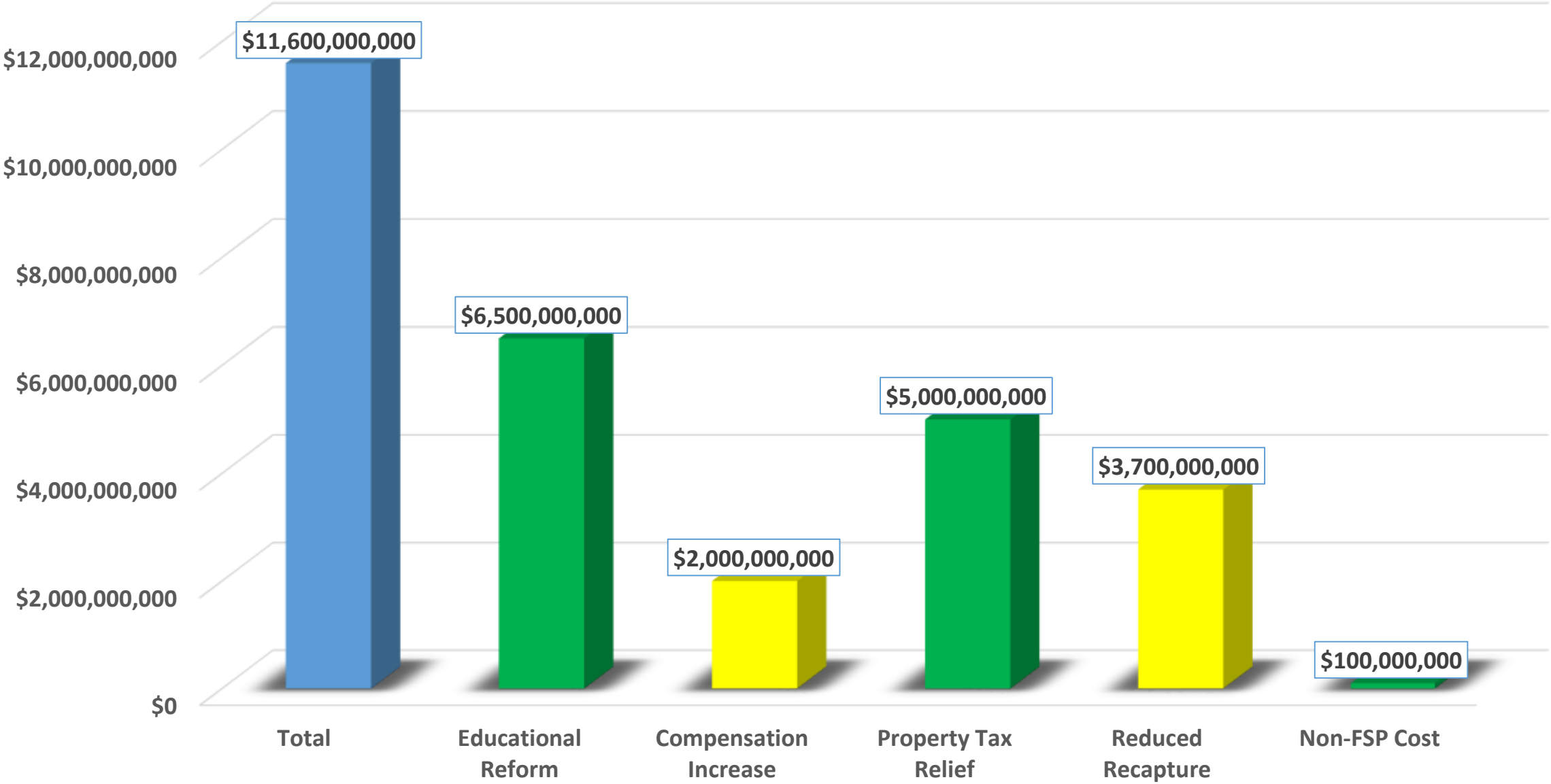


What happened to the \$11.6 billion?

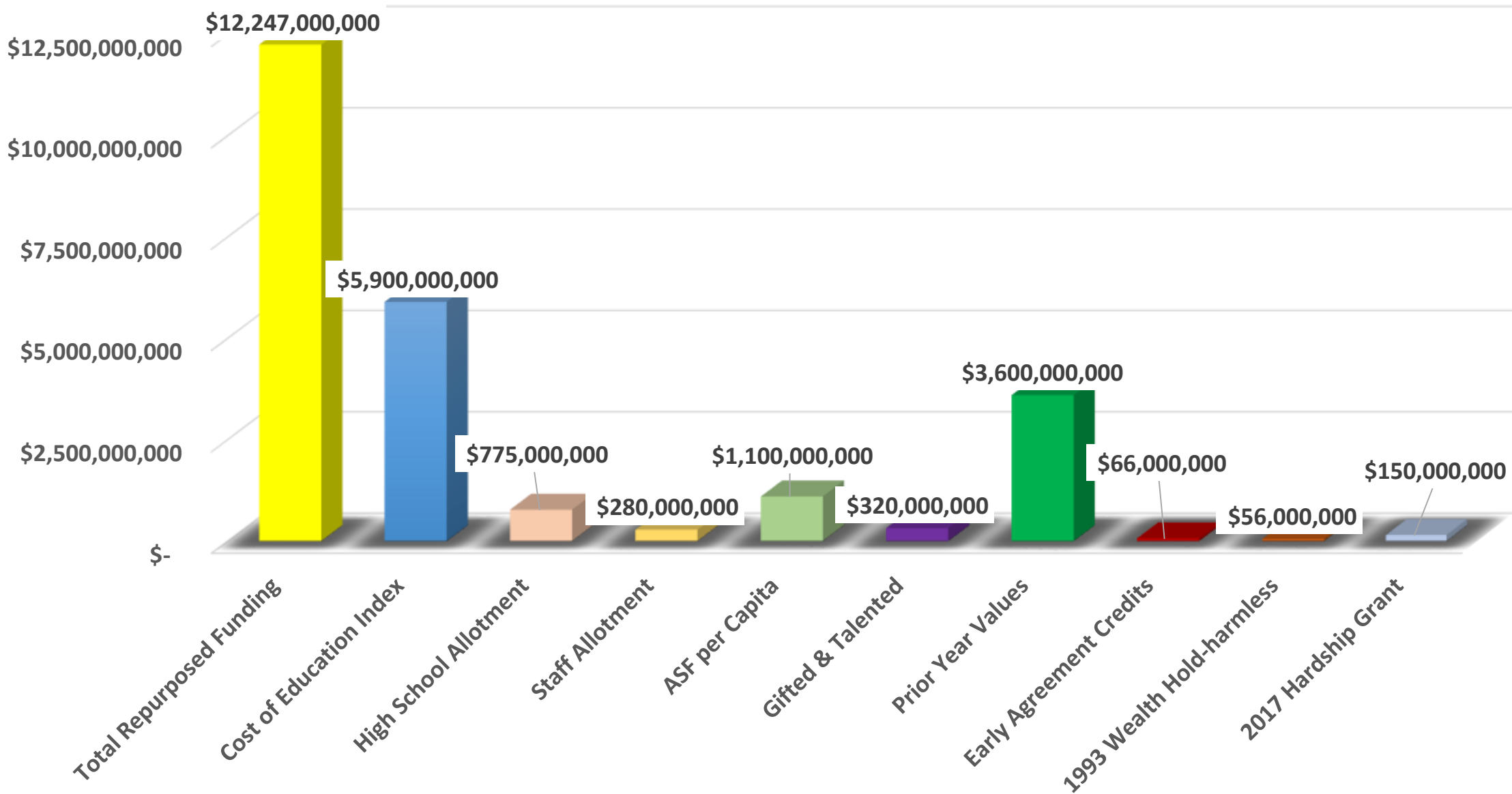
- 1,017 school districts
- 5.2 million students

- \$11.6 billion in new revenue
 - \$6.5 billion for education reform
 - (\$2 billion for compensation increases)*
 - \$5 billion in tax reduction/compression

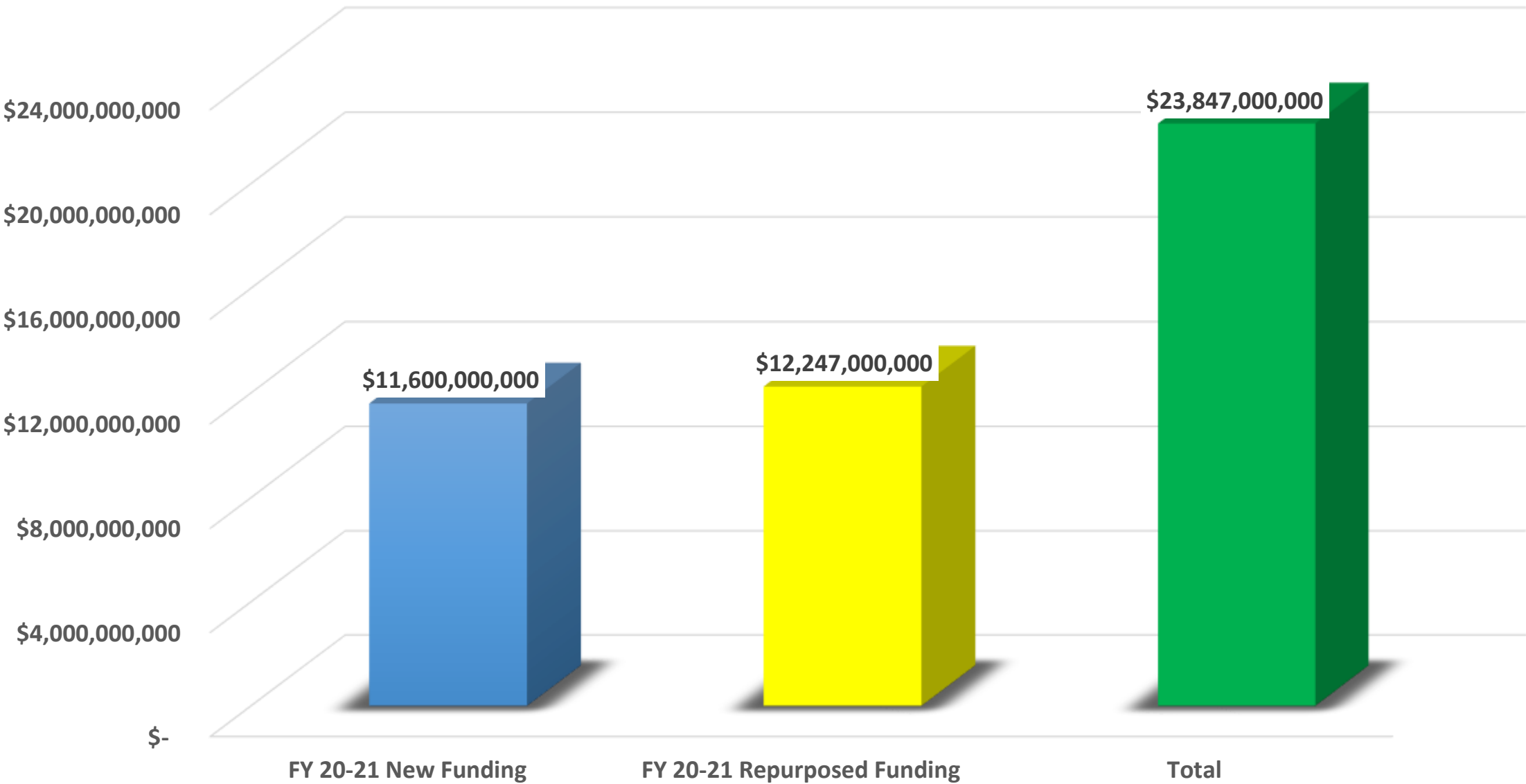
New Revenue for FY 20-21 – HB 3



FY 20-21 Repurposed Funding -- HB 3



FY 20-21 New & Repurposed Funding



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



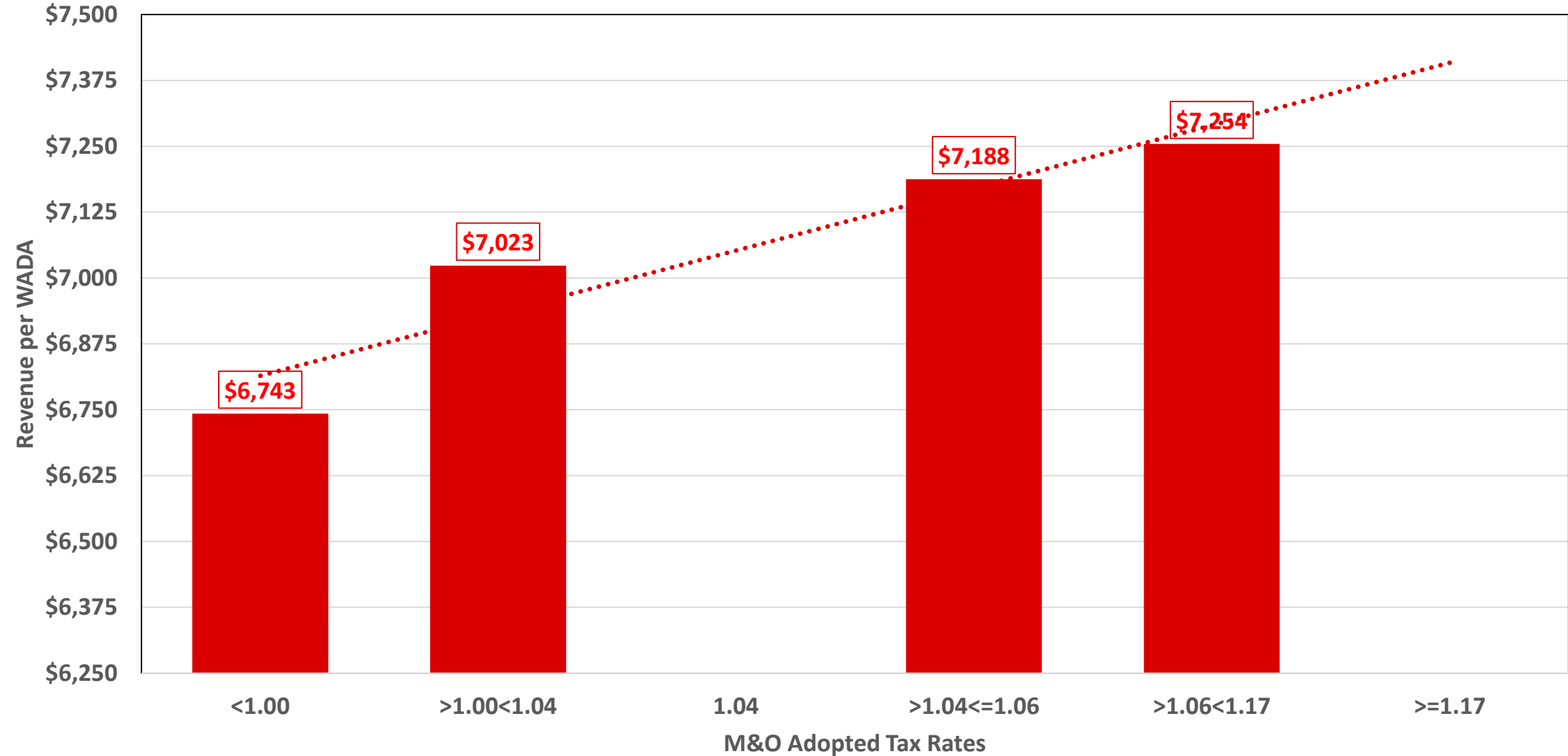
Requires all districts to adopt tax rates equal to their New Compressed Rates in order to earn Full Entitlement in Tier 1



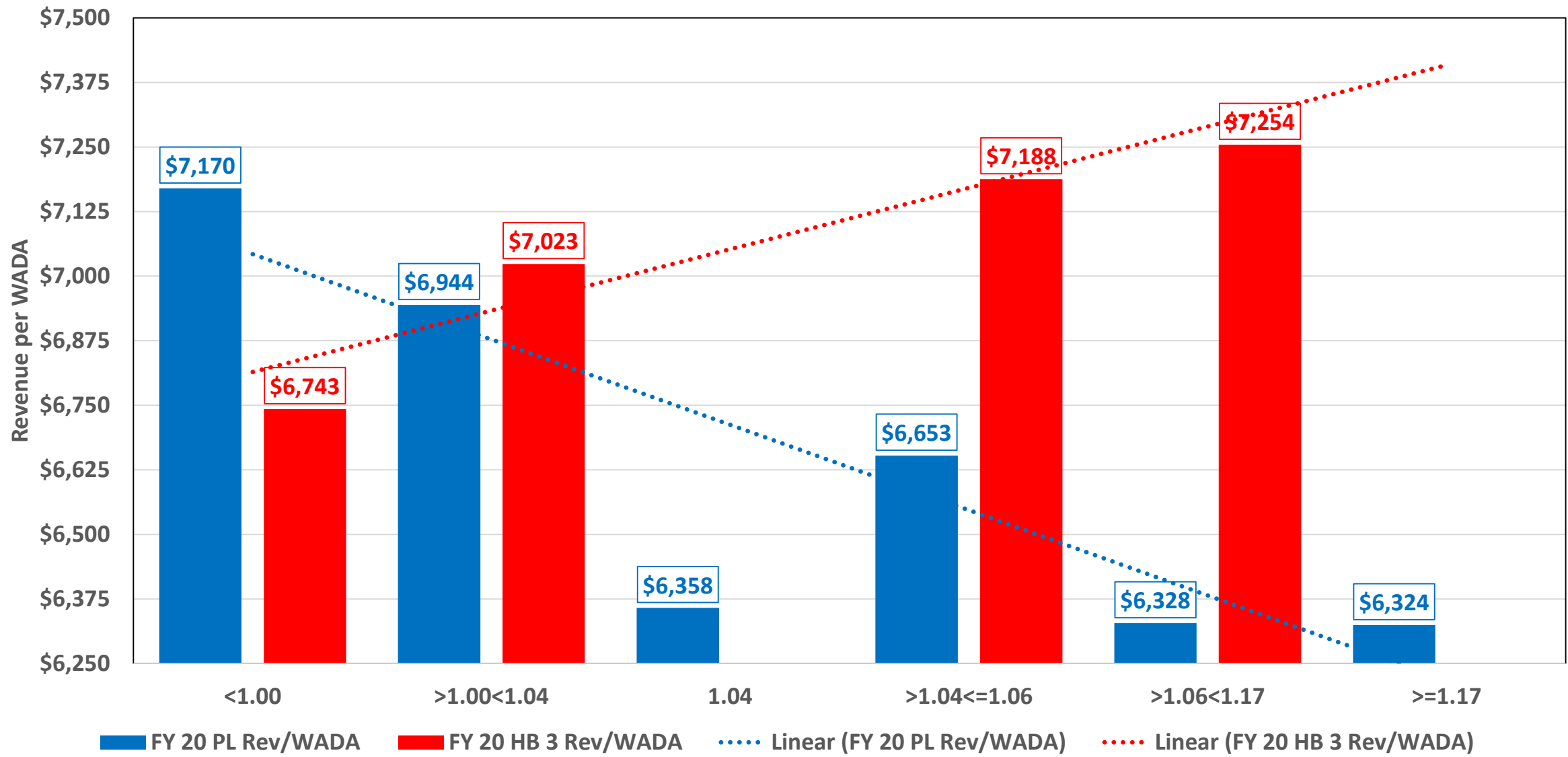
Forces all districts to tax at full New Compressed Rates before they can access any Tier 2 Golden or Copper Pennies



FY 20 HB 3 Rev/WADA

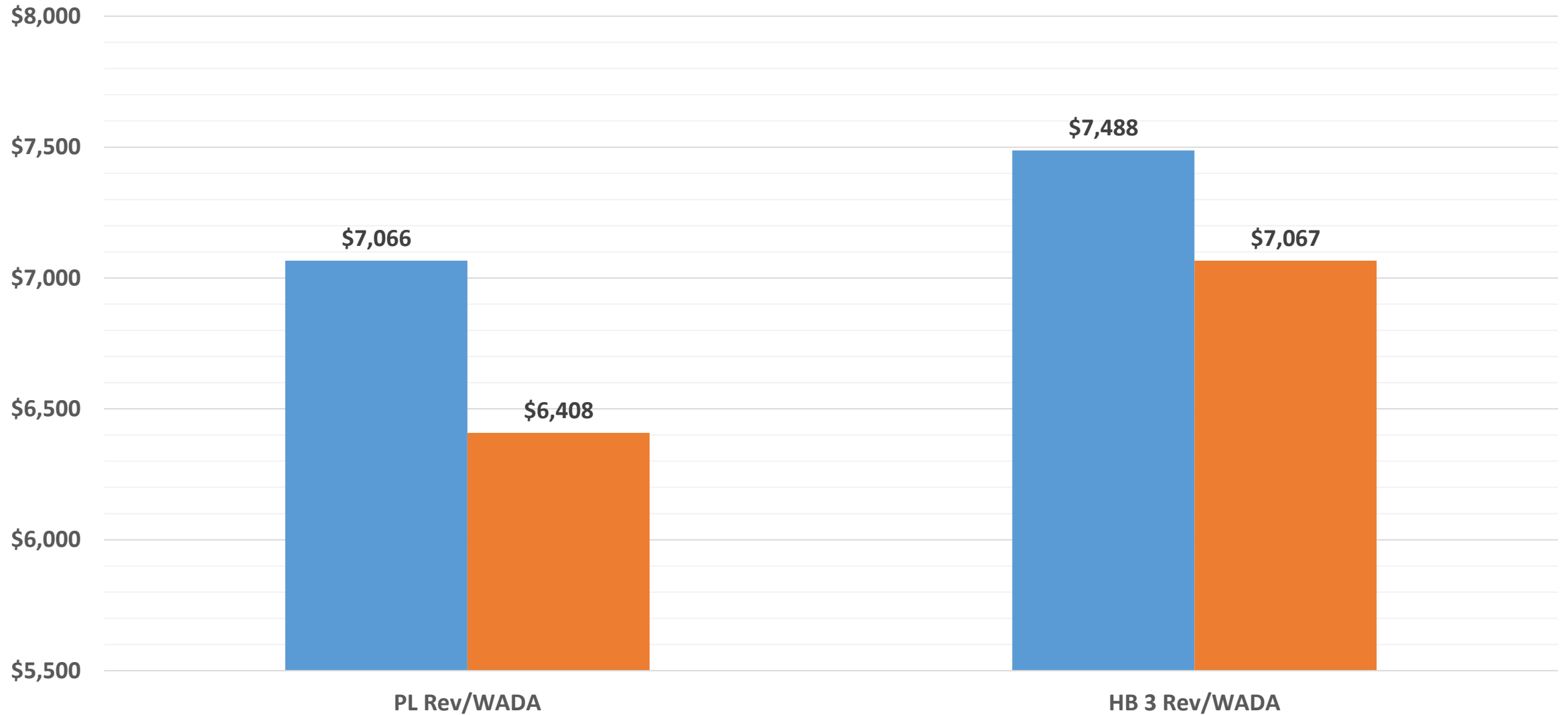


HB 3 Correcting the Equity Trends -- FY 20

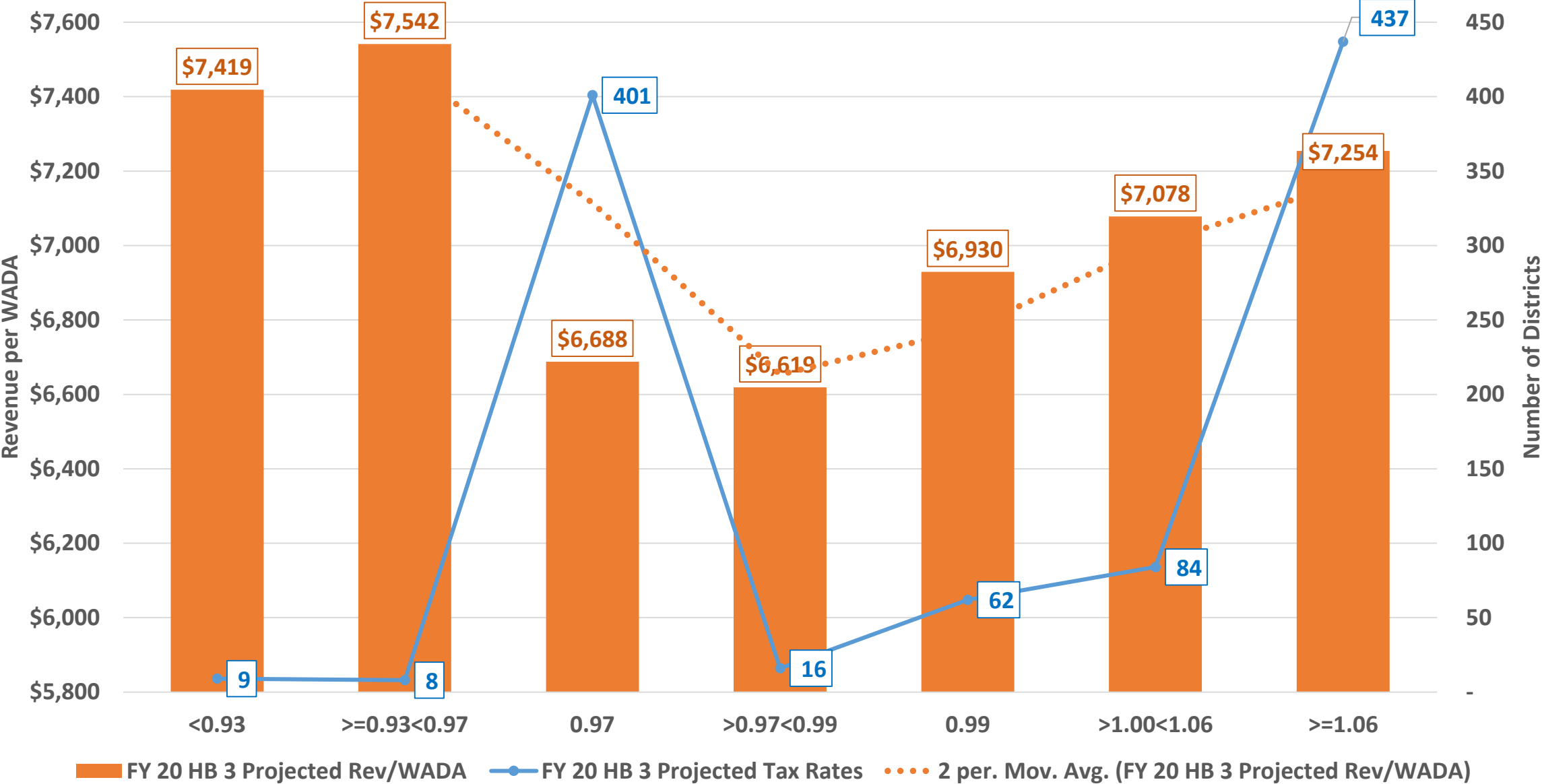


Prior Law/HB3 Average FY20 Revenue per WADA

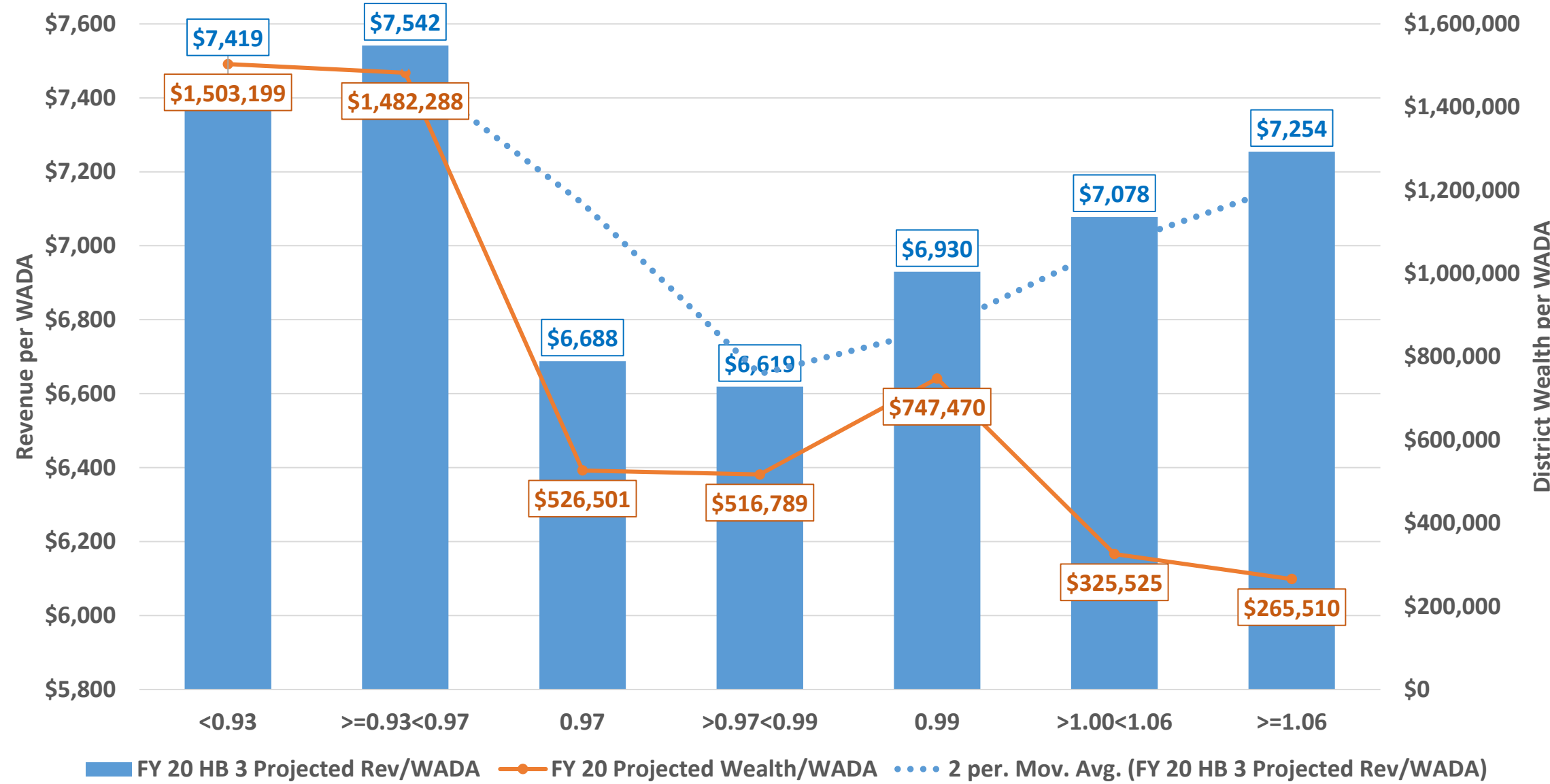
■ Wealthiest 10% ■ Poorest 10%



HB 3 Revenue per WADA--M&O Tax Rate Groups



HB 3 FY 20 Revenue per WADA--M&O Tax Groups & Average Wealth per WADA



What's Next?

(Remember—Efficiency, Equity and Adequacy Require a Funding System Based on Known Cost)

- **Strengthen & Refine**

- **Cost Based**

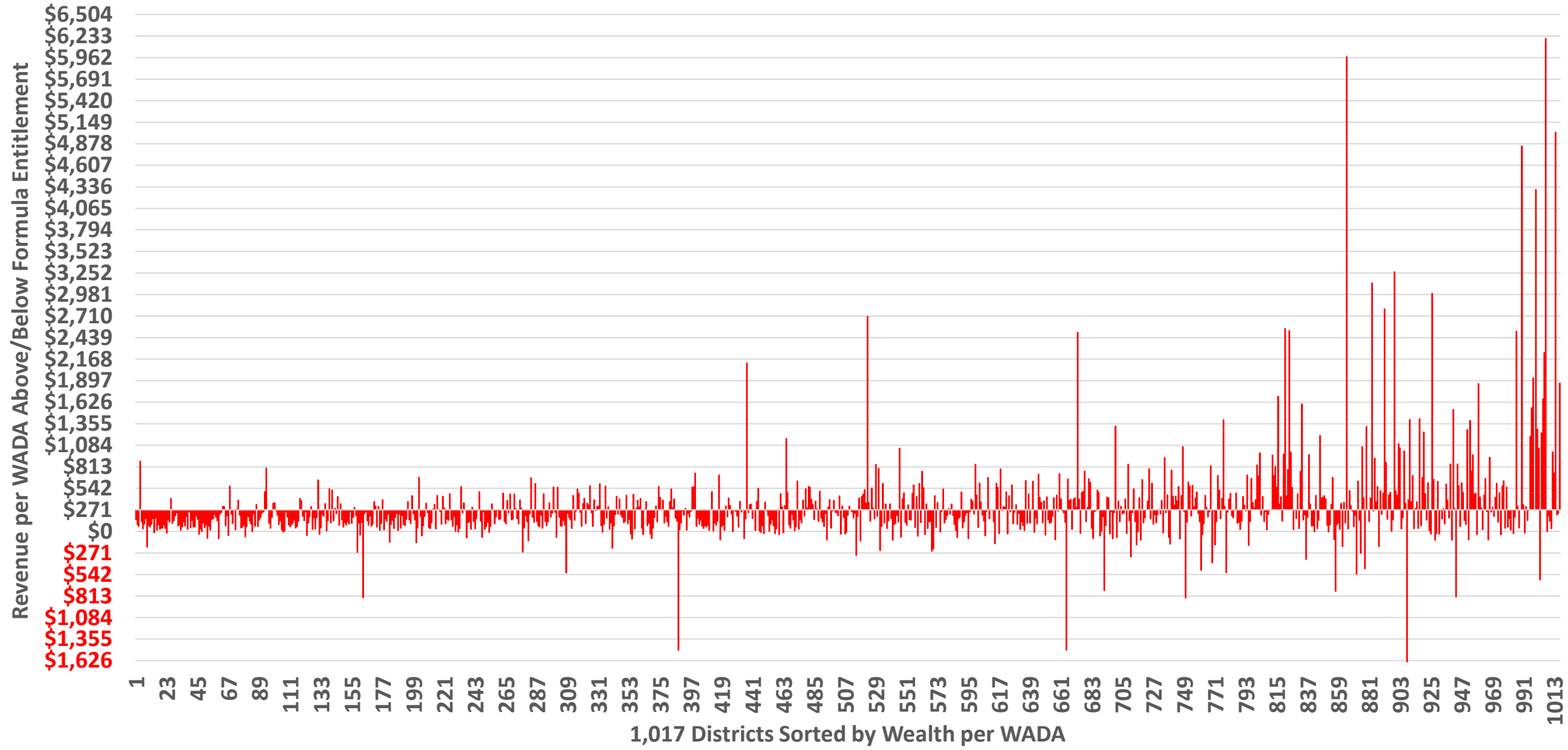
- **Current Year Collections**

- **Correct and/or Eliminate**

- **Non-Cost Based**

- **Full Tier 1 Entitlement for Some but not for All**
 - **100% LOHE for Some**

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



What's Next?

(Remember—Efficiency, Equity and Adequacy Require a Funding System Based on Known Cost)

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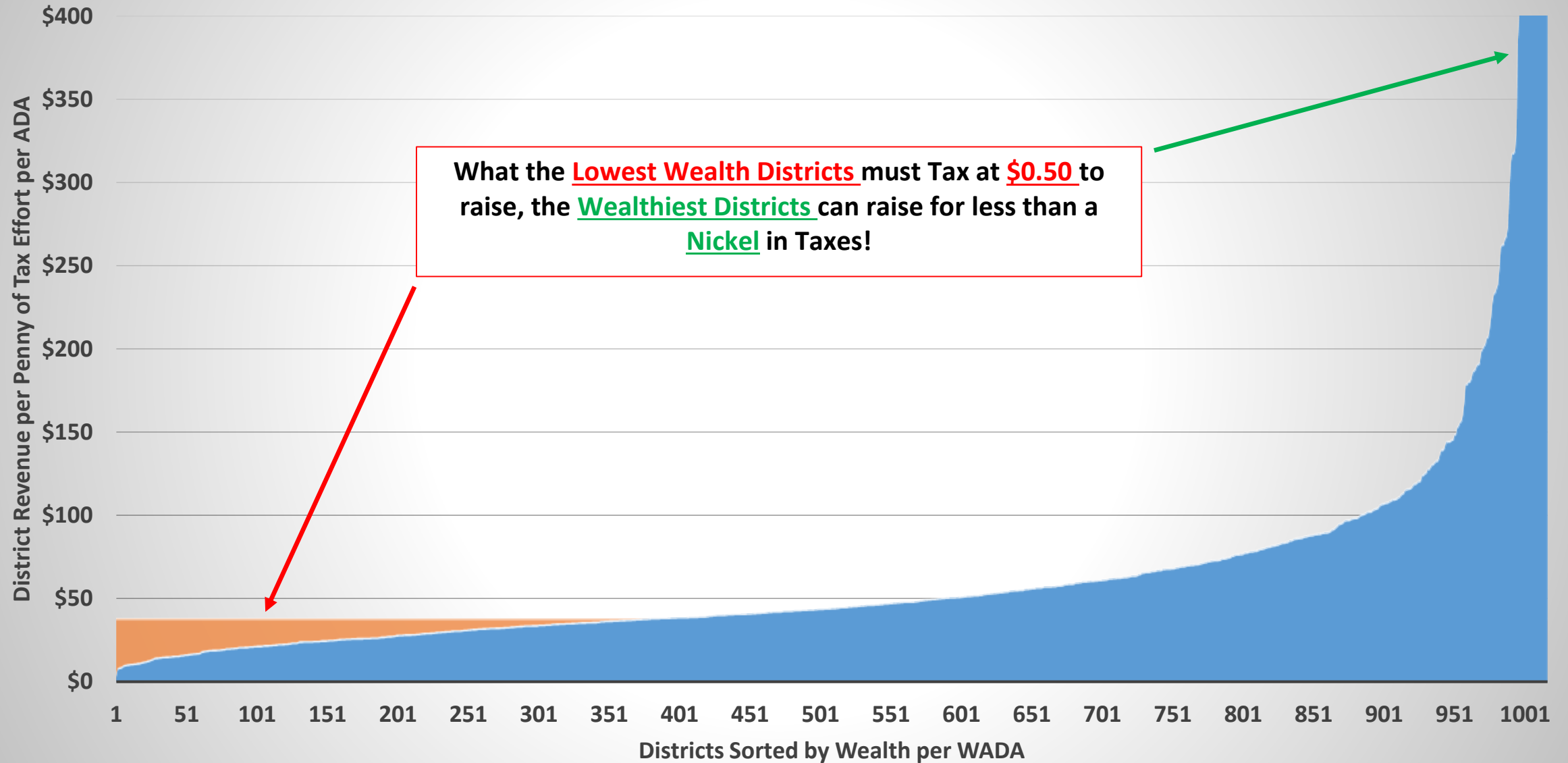
- Current Year Collections
- **I&S/Facilities**
 - **EC study**

- **Correct and/or Eliminate**

- **Non-Cost Based**

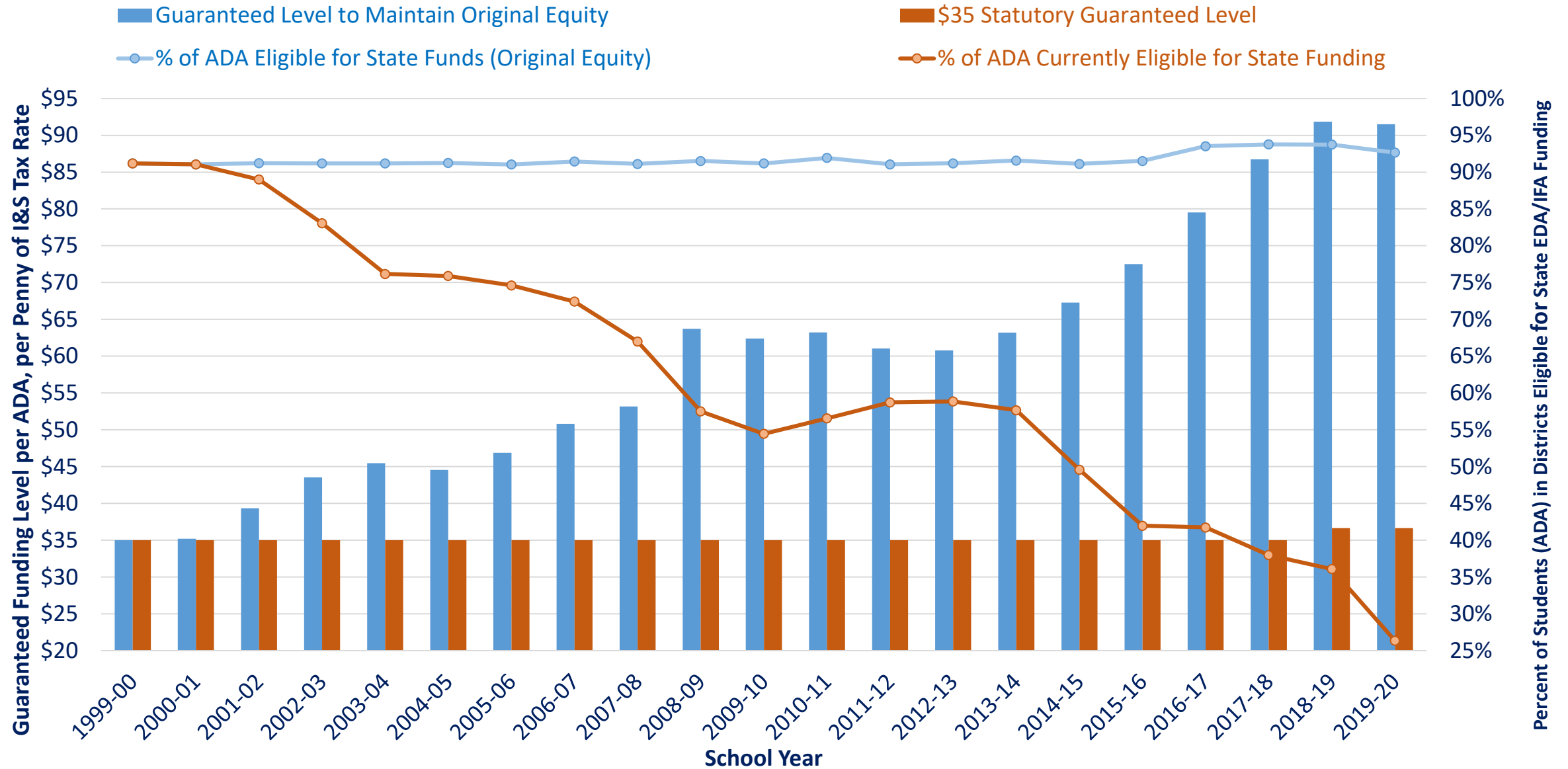
- Full Tier 1 Entitlement for Some but not for All
- **100% LOHE for Some**
- **Tier 2 Yield Gaps**

Unequalized Funding for Facilities--EDA & IFA for FY 20



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



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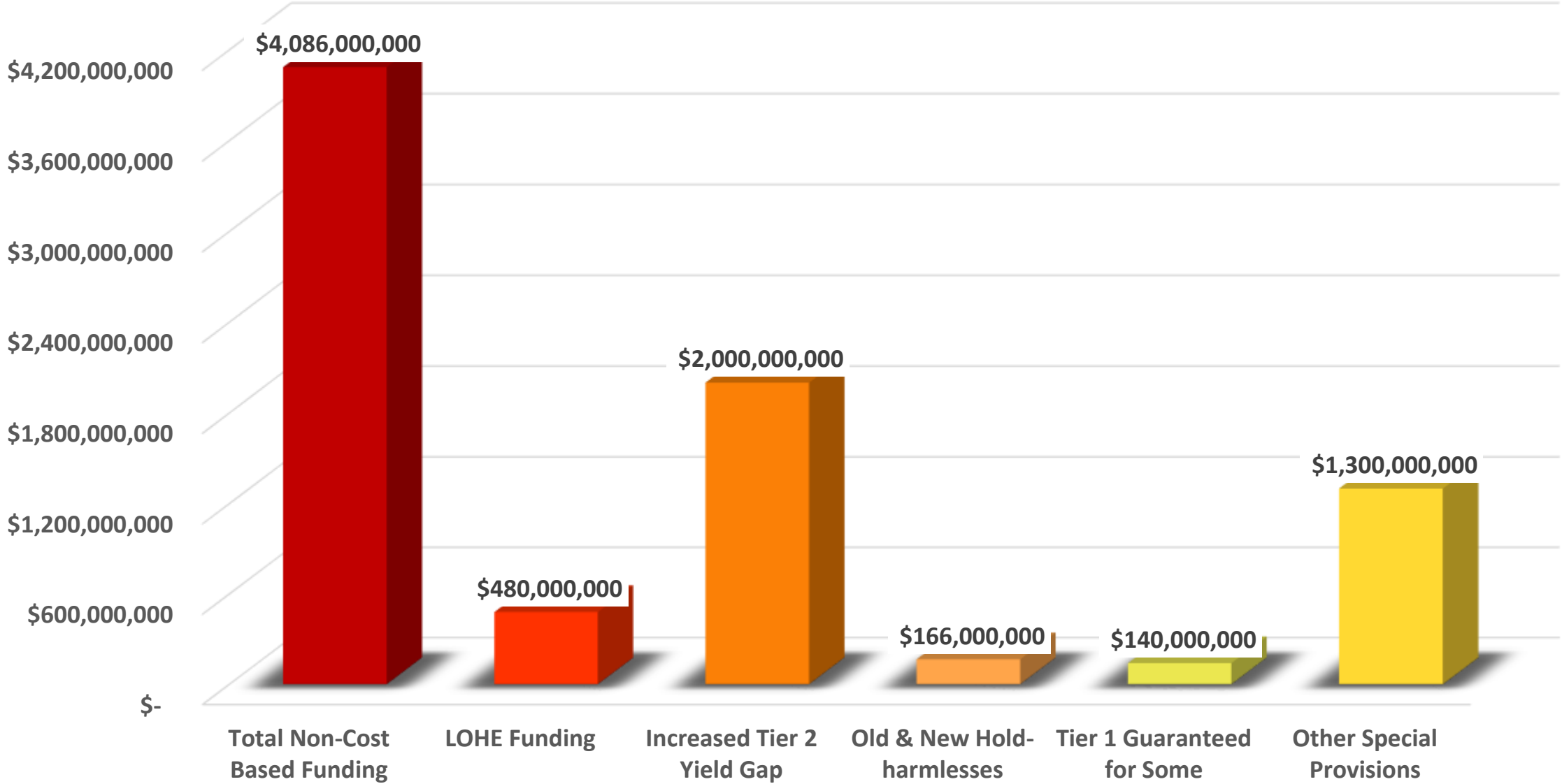
- Current Year Collections
- I&S/Facilities
 - EC study
- **Student Cost Differentials**
(Small/Mid-sized, Geographic Variations, etc.)

- **Correct and/or Eliminate**

- **Non-Cost Based**

- Full Tier 1 Entitlement for Some but not for All
- 100% LOHE for Some
- Tier 2 Yield Gaps
- **Old and New Hold Harmlesses**

FY 20-21 Efficiency Funding Lost to Non-Cost Based Elements of HB 3



What's Next?

(Remember—Efficiency, Equity and Adequacy Require a Funding System Based on Known Cost)

- **Strengthen & Refine**

- **Cost Based**

- Current Year Collections
- I&S/Facilities
 - EC study
- Student Cost Differentials
(Small/Mid-sized, Geographic Variations, etc.)

- **Correct and/or Eliminate**

- **Non-Cost Based**

- Full Tier 1 Entitlement for Some but not for All
- 100% LOHE for Some
- Tier 2 Yield Gaps
- Old and New Hold Harmlesses
- **Variations in Tier 1 Tax Rates**

FY21 and Beyond Tax Rate Compression and Rollback Rate

- Statewide Tier 1 tax rate is the lower of:
 - Prior Year Compression Percentage (0.93 for FY21)
 - $\text{Prior Year Compression Percentage} \times 1.025 / (1 + \text{Estimated Change in Taxable PV})$
- District maximum compressed rate is lower of:
 - Statewide Tier 1 tax rate (above)
 - If DPV increased by more than 2.5%:
 - $(1.025 \times ((\text{PYDPE} + \text{PV of 311 or 313}) \times \text{PYMCR})) / \text{DPV}$, but not less than 90% of statewide tier 1 tax rate
- Rollback is the district maximum compressed rate plus greater of:
 - 5 cents – with unanimous board approval
 - Number of enrichment pennies from the prior year

FY21 and Beyond Tax Rate Compression and Rollback Rate

- Statewide Tier 1 tax rate is the lower of:
 - Prior Year Compression Percentage (0.93 for FY21)
 - Prior Year Compression Percentage x 1.025 / (1 + Estimated Change in Taxable PV)

$$0.93 \times 1.025 / (1 + 0.0407) = 0.915970...$$

FY21 and Beyond Tax Rate Compression and Rollback Rate

- Minimum Tier 1 tax rate is 90% of the statewide Tier 1 tax rate:

$$0.91597 \times 90\% = 0.824373$$

FY21 and Beyond Tax Rate Compression and Rollback Rate

- District maximum compressed rate is lower of:
 - Statewide Tier 1 tax rate (0.91597)
 - If DPV increased by more than 2.5%:
 - $(1.025 \times ((\text{PYDPE} + \text{PV of 311 or 313}) \times \text{PYMCR})) / \text{DPV}$, but not less than 90% of statewide tier 1 tax rate

$$(1.025 \times 100,000,000 \times 0.93) / 110,000,000 = 0.866590....$$

FY21 and Beyond Tax Rate Compression and Rollback Rate

- Rollback is the district maximum compressed rate plus greater of:
 - 5 cents – with unanimous board approval
 - Number of enrichment pennies from the prior year

What's Next?

(Remember—Efficiency, Equity and Adequacy Require a Funding System Based on Known Cost)

- **Strengthen & Refine**

- **Cost Based**

- Current Year Collections
- I&S/Facilities
 - EC study
- Student Cost Differentials
(Small/Mid-sized, Geographic Variations, etc.)

- **Correct and/or Eliminate**

- **Non-Cost Based**

- Full Tier 1 Entitlement for Some but not for All
- 100% LOHE for Some
- Tier 2 Yield Gaps
- Old and New Hold Harmlesses
- Variations in Tier 1 Tax Rates
- **Other Special Provisions**

***So what does your
Snickers bar look
like now?***





Questions?

(512) 478-7313

www.equitycenter.org

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Be sure to login to your member portal to access the latest HB3 templates, training videos, and more!



Equity Center
Students Matter. Taxpayers Matter. Equity Matters.