

“Where to NOW!”



2020 Texas School Administrators Midwinter Conference

Josh Sanderson

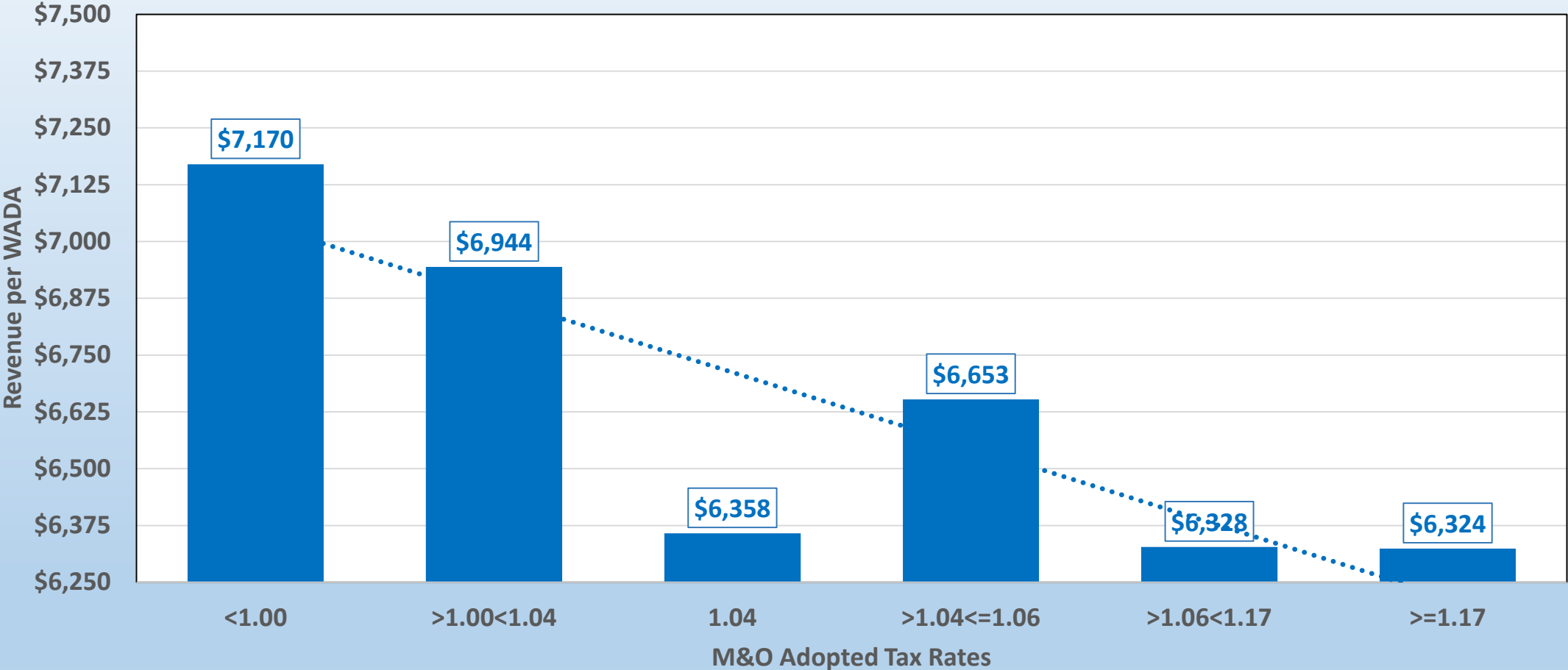
Why Not Just More Money?

What happened to the \$11.6 billion?

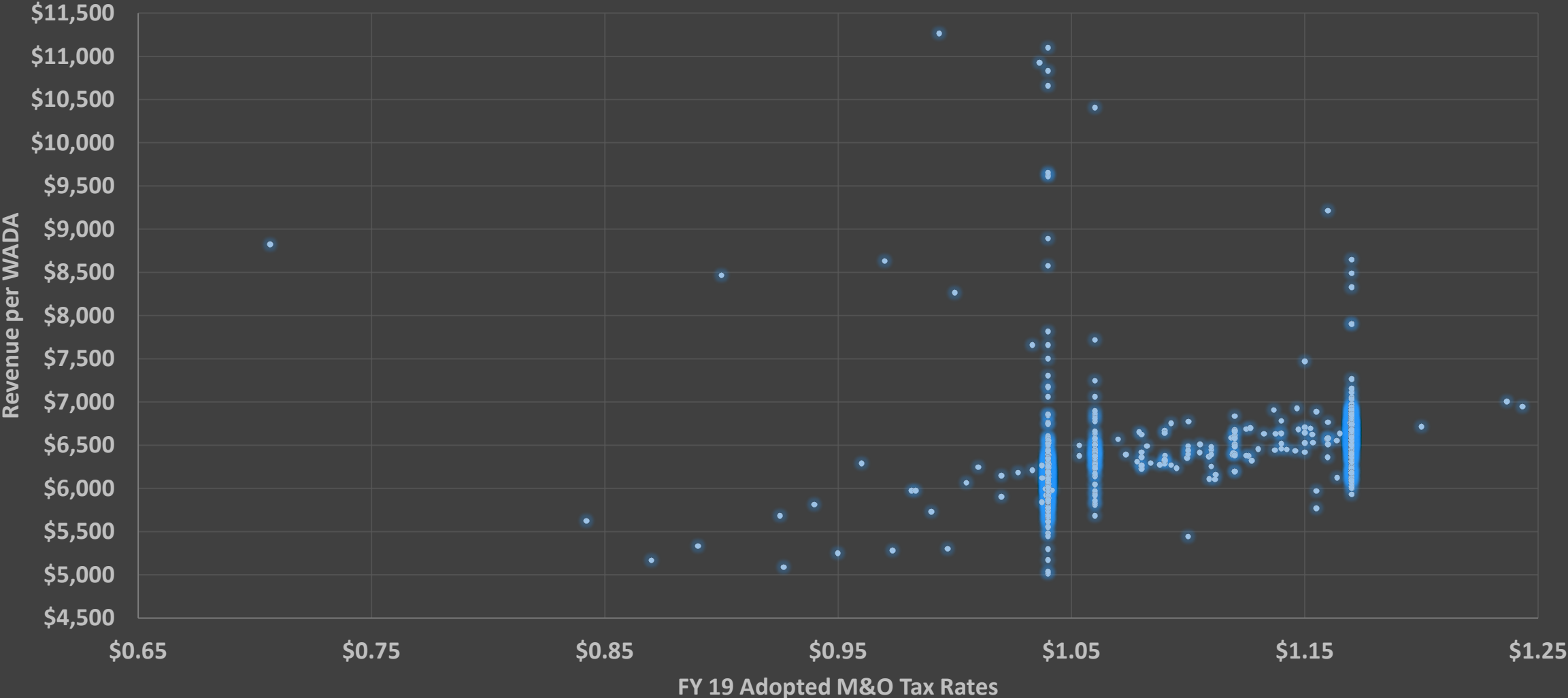
- **\$11.6 billion in new revenue**
 - **\$6.5 billion for education reform: \$635 per ADA on average**
 - **\$2 billion for compensation increases**
 - **\$5 billion in tax reduction/compression**

\$405,828

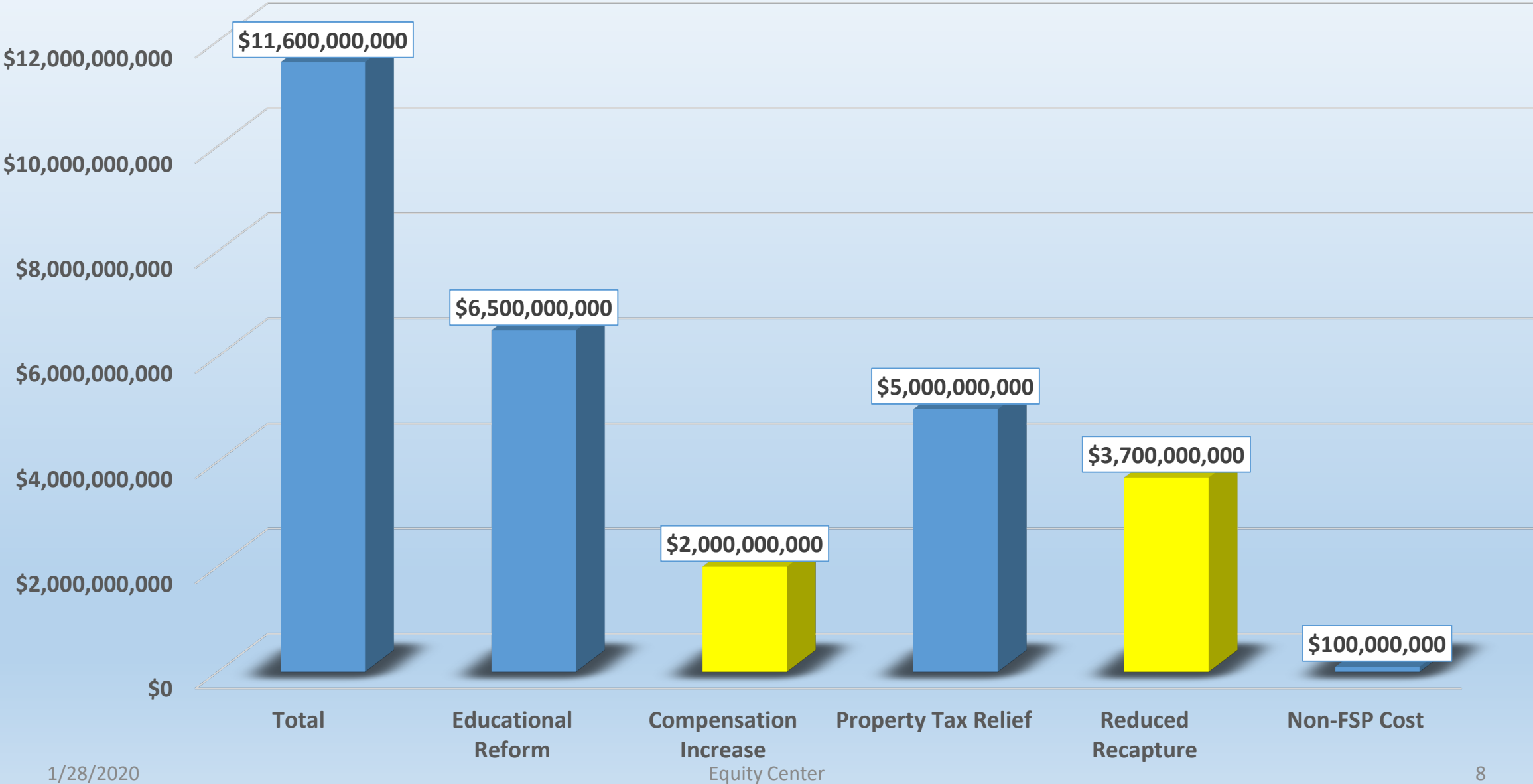
FY 20 Prior Law (PL) Rev/WADA



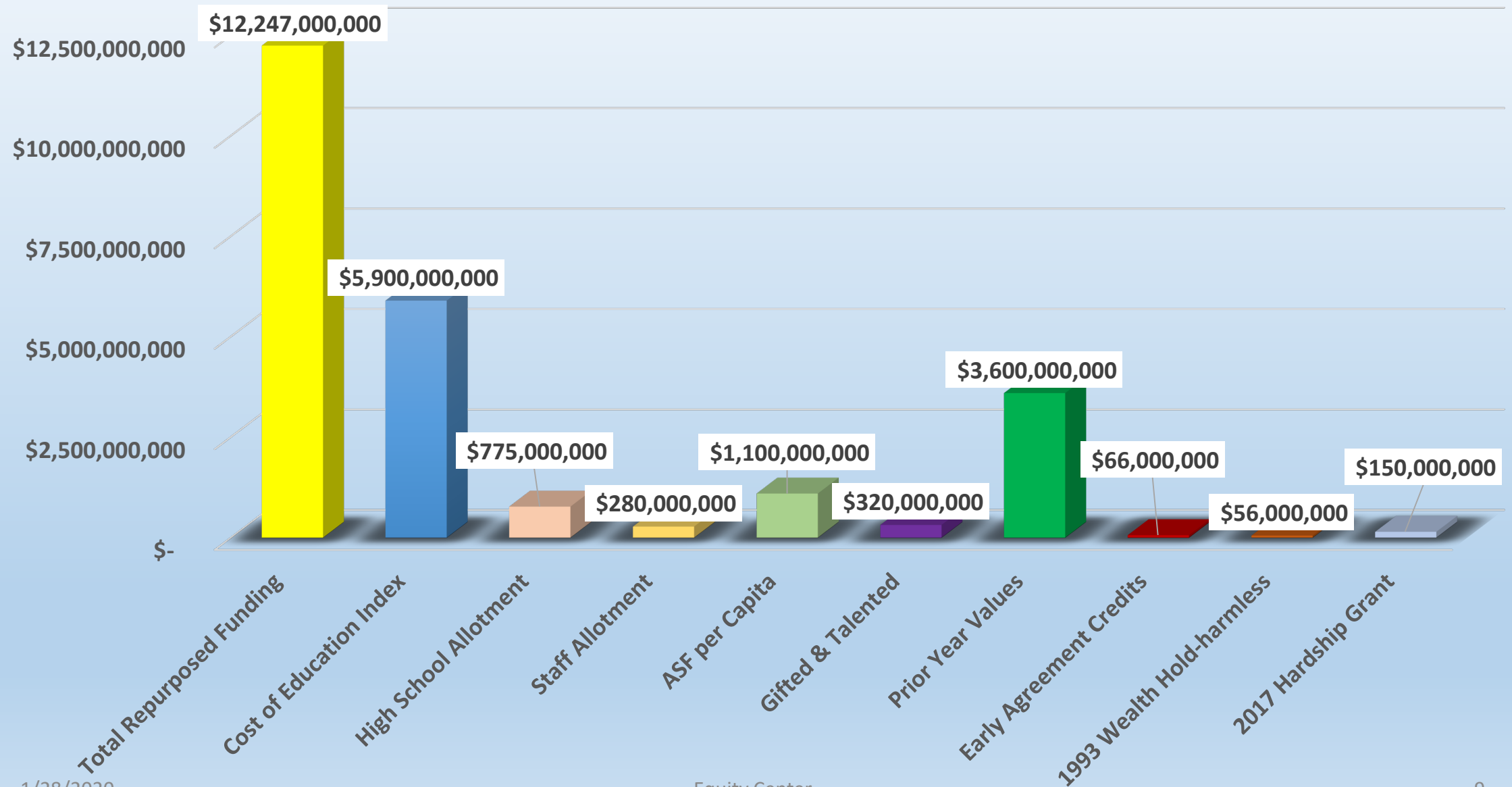
Prior Law FY 20 Projected Revenue/WADA by Adopted Tax Rate



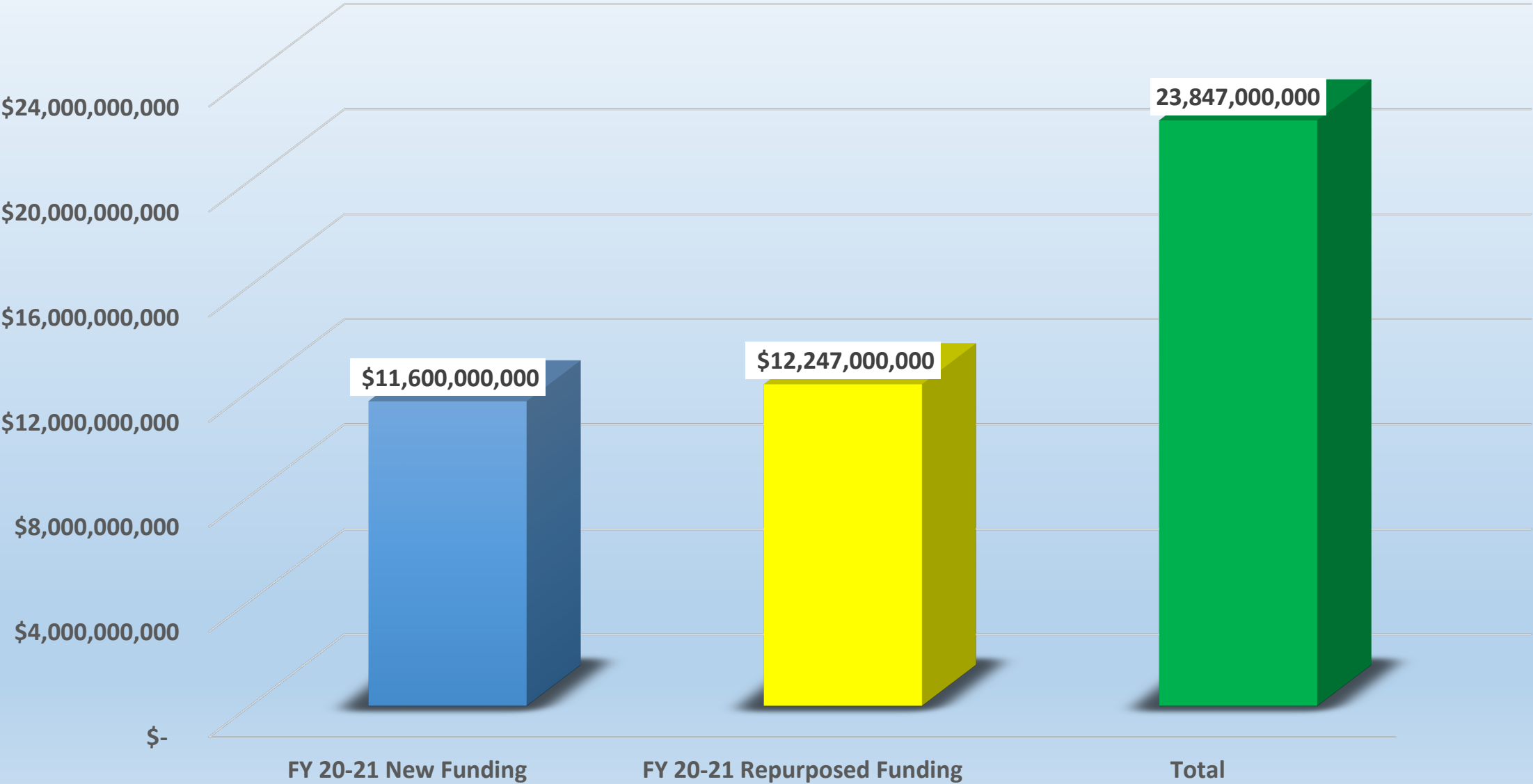
New Revenue for FY 20-21--HB3



FY 20-21 Repurposed Funding--HB 3

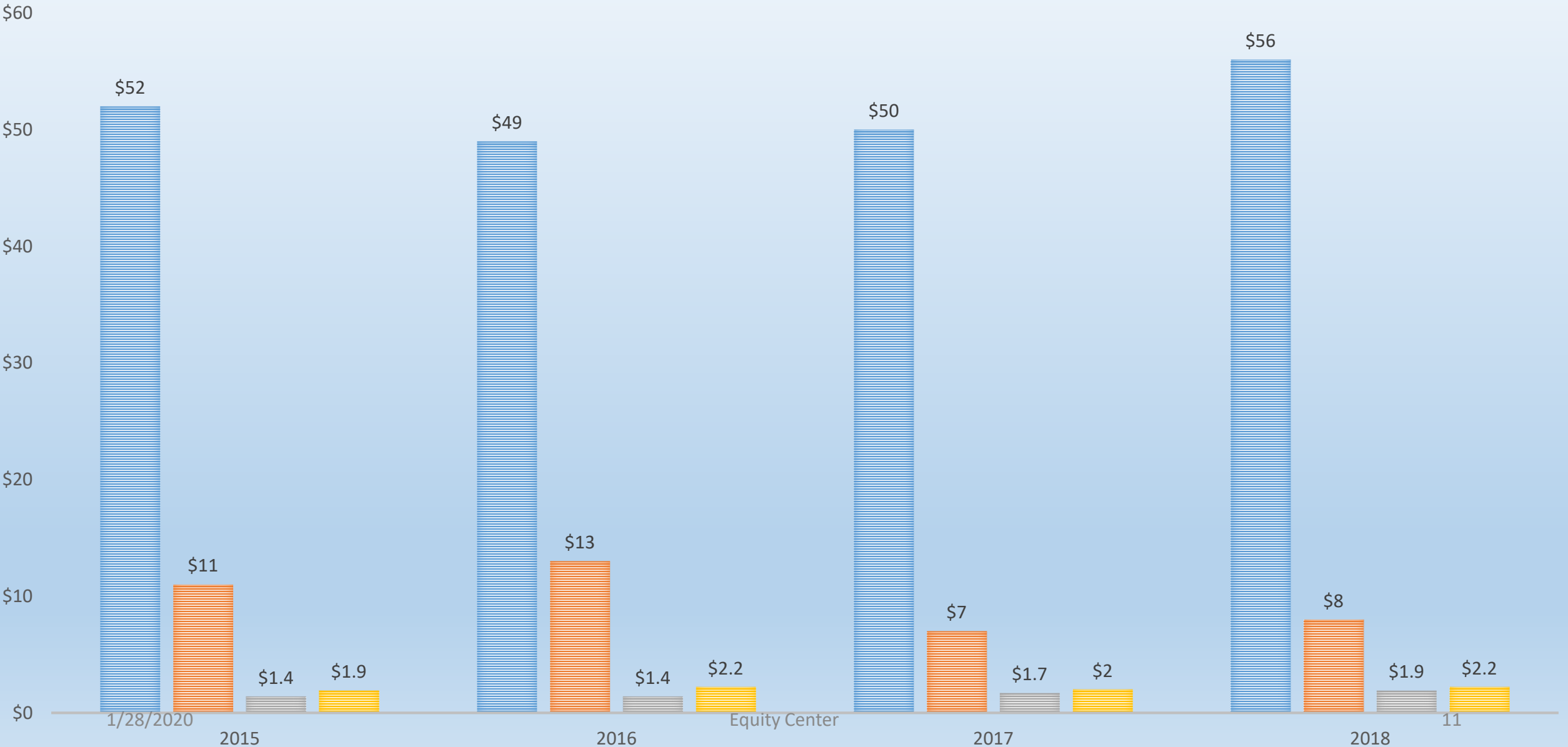


FY 20-21 New & Repurposed Funding



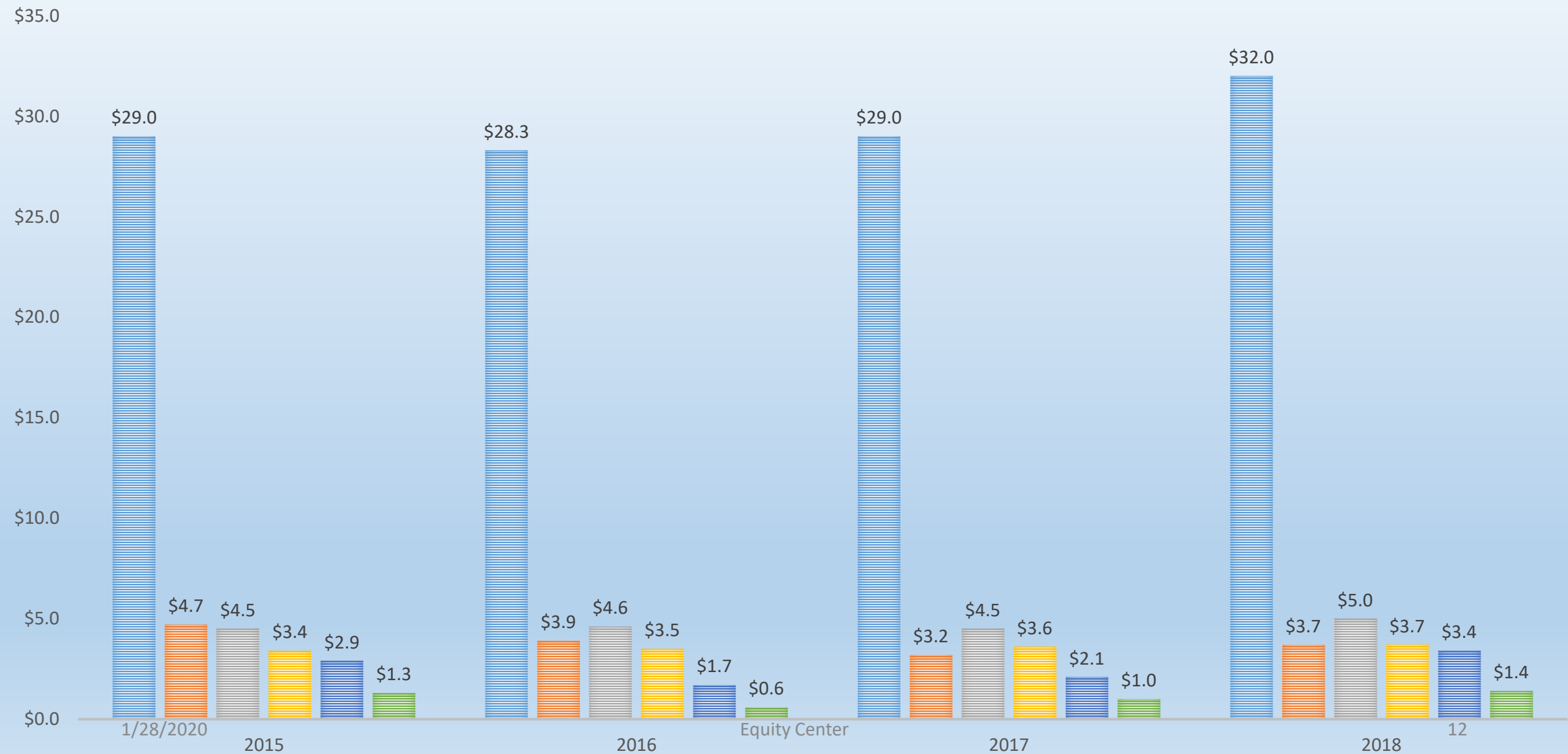
STATE REVENUE \$ (BILLIONS)

■ Total Tax Revenue ■ License, Fees, Fines ■ Interest and Investments ■ Lottery



STATE TAX REVENUE BY SOURCE \$ (BILLIONS)

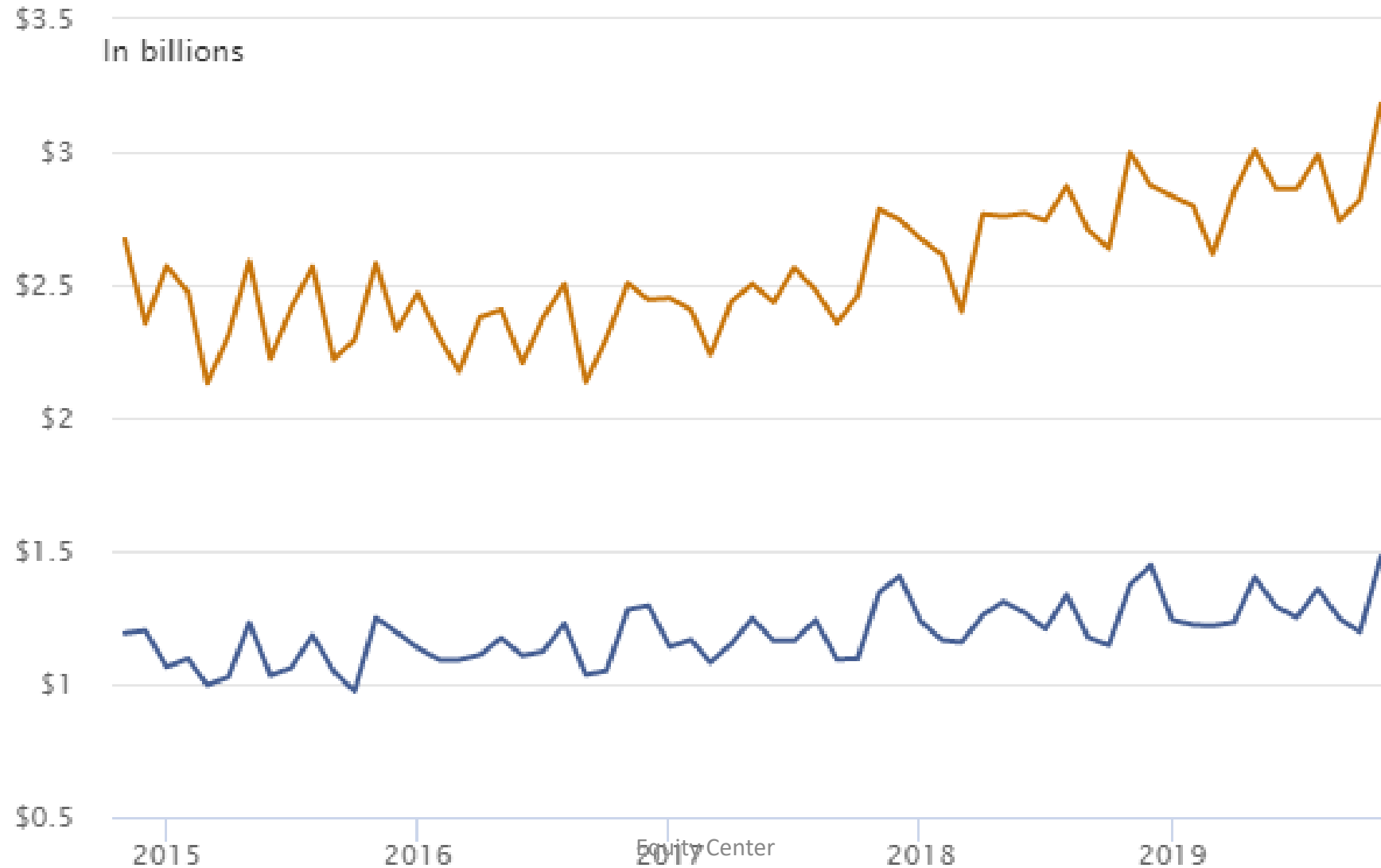
Sales Tax Franchise Motor Vehicle Motor Fuels Oil Production Natural Gas



Texas Sales Tax Collections

Legend/Change from previous year:

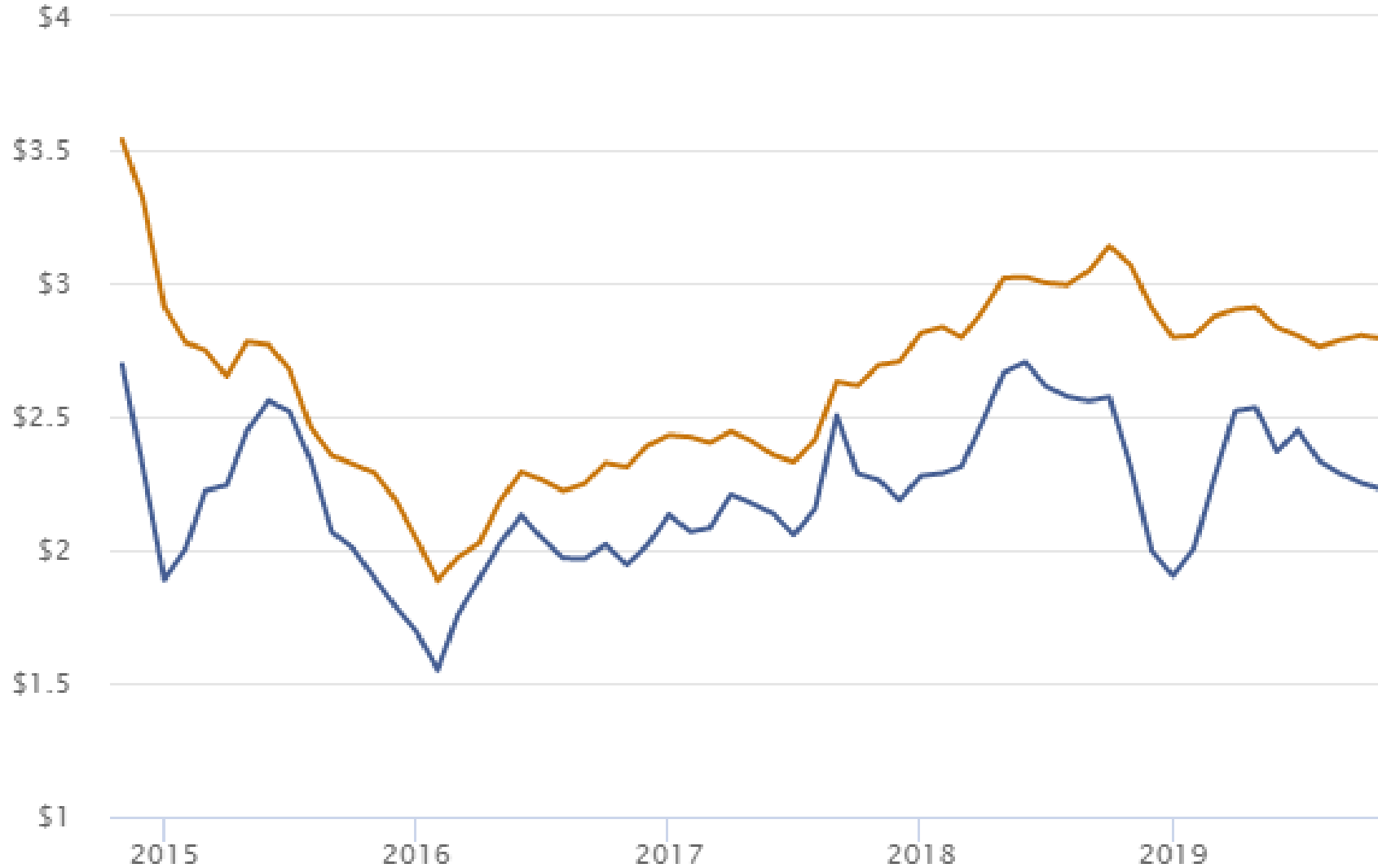
— Retail: 7.9% — Total: 6.1%



TX Retail Fuel Prices

Legend/Change from previous year:

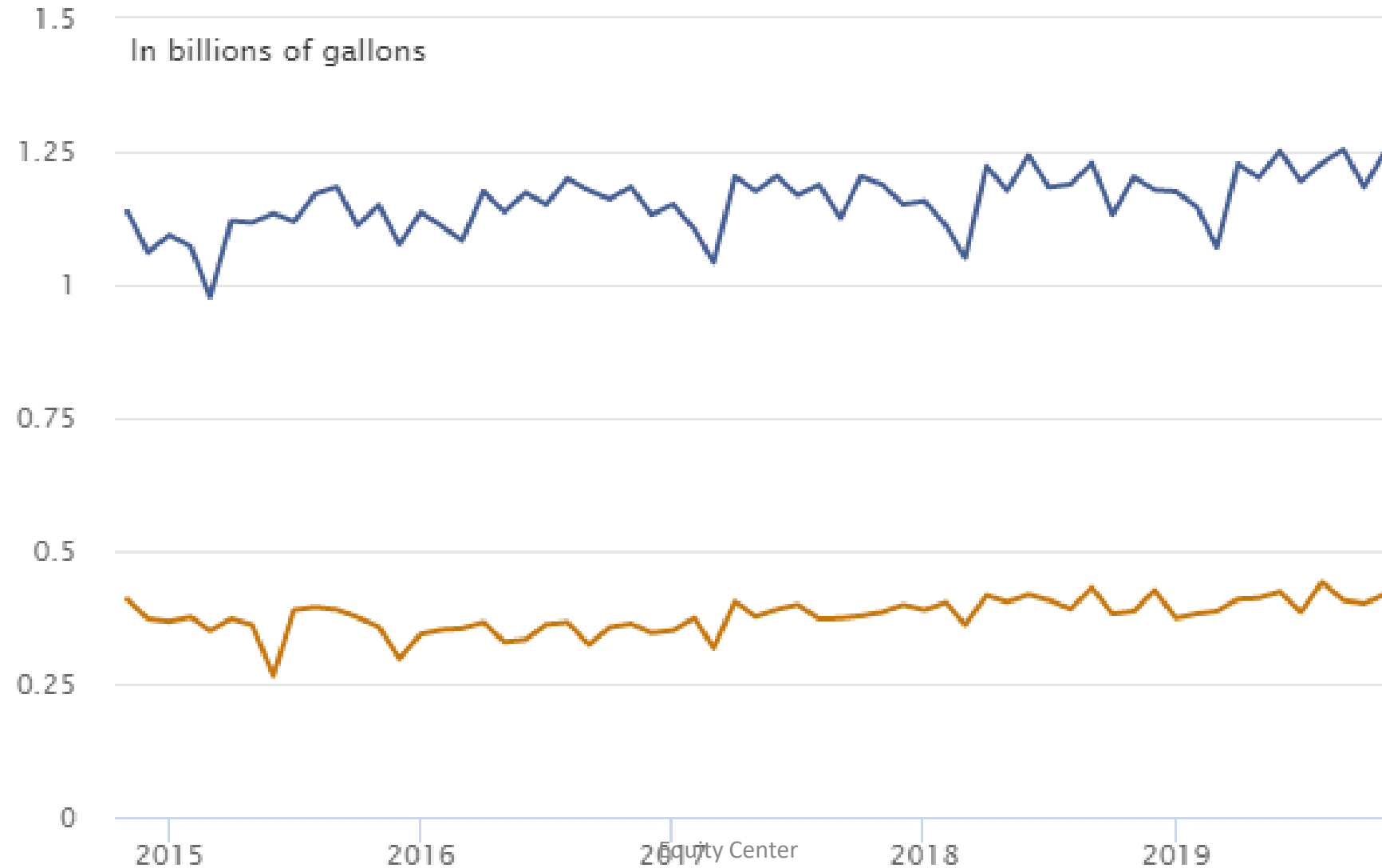
Gasoline: -3.7% Diesel: -9.1%



Taxed Motor Fuels

Legend/Change from previous year:

— Gasoline: 4.1% — Diesel: 8.4%



House Public Education Committee 10-28-19

• Unintended Consequences

- Small and Midsized adjustments/CTE*
- Fast Growth Allotment*
- Formula Transition Grants and Teacher Compensation
- Special Ed funding for Charter Schools
- Regional Education Service Center Staff Supplement
- PTECH and New Tech Funding

Senate Finance Hearing 12-3-19

- Spending limit:
 - Examine options and make recommendations for strengthening restrictions on appropriations...
- Business personal property tax:
 - Consider the economic and fiscal effects of increased exemptions to the business personal property tax, versus its elimination.
- 10.5 percent of all school taxable property in the state.

HB 3 Study on District Property Tax Compression

- The Legislative Budget Board shall study possible methods of providing property tax relief through the reduction of school district maintenance and operations taxes. The study must evaluate:
 - Potential sources of revenue that may be used to reduce school district M&O taxes;
 - Methods of limiting increases in M&O tax revenue that adjust for enrollment growth, inflation, and other relevant factors;
 - ...and, the anticipated impact on equity in the public school finance system.

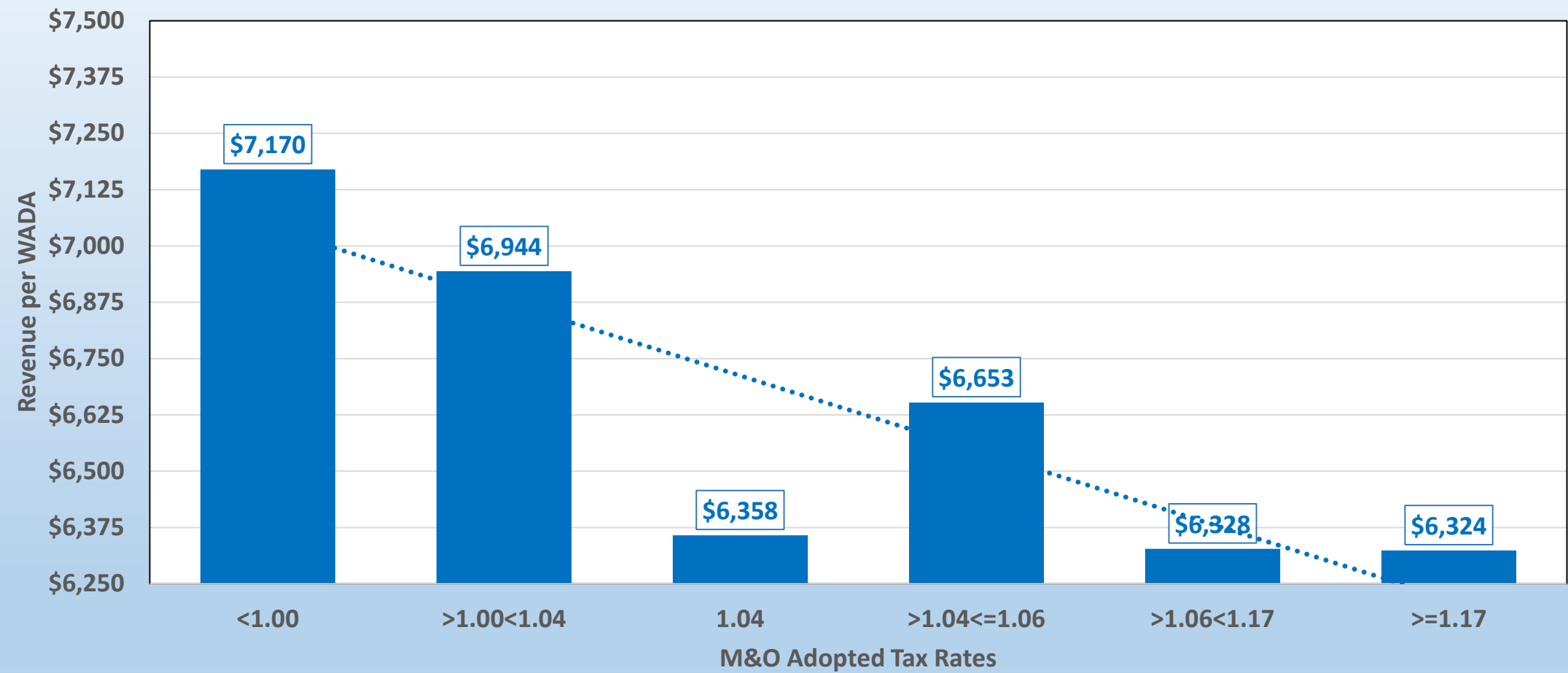
Political Landscape - 2021

- Redistricting
- House Bill 3 revisions
- Ch. 313 Sunset
- SB 29
- The \$60 Billion Question: M&O... Further Tax Reductions

Adam Pierce

Efficiency, Equity Require Funding Based on Actual Cost, not District Wealth

FY 20 Prior Law (PL) Rev/WADA



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



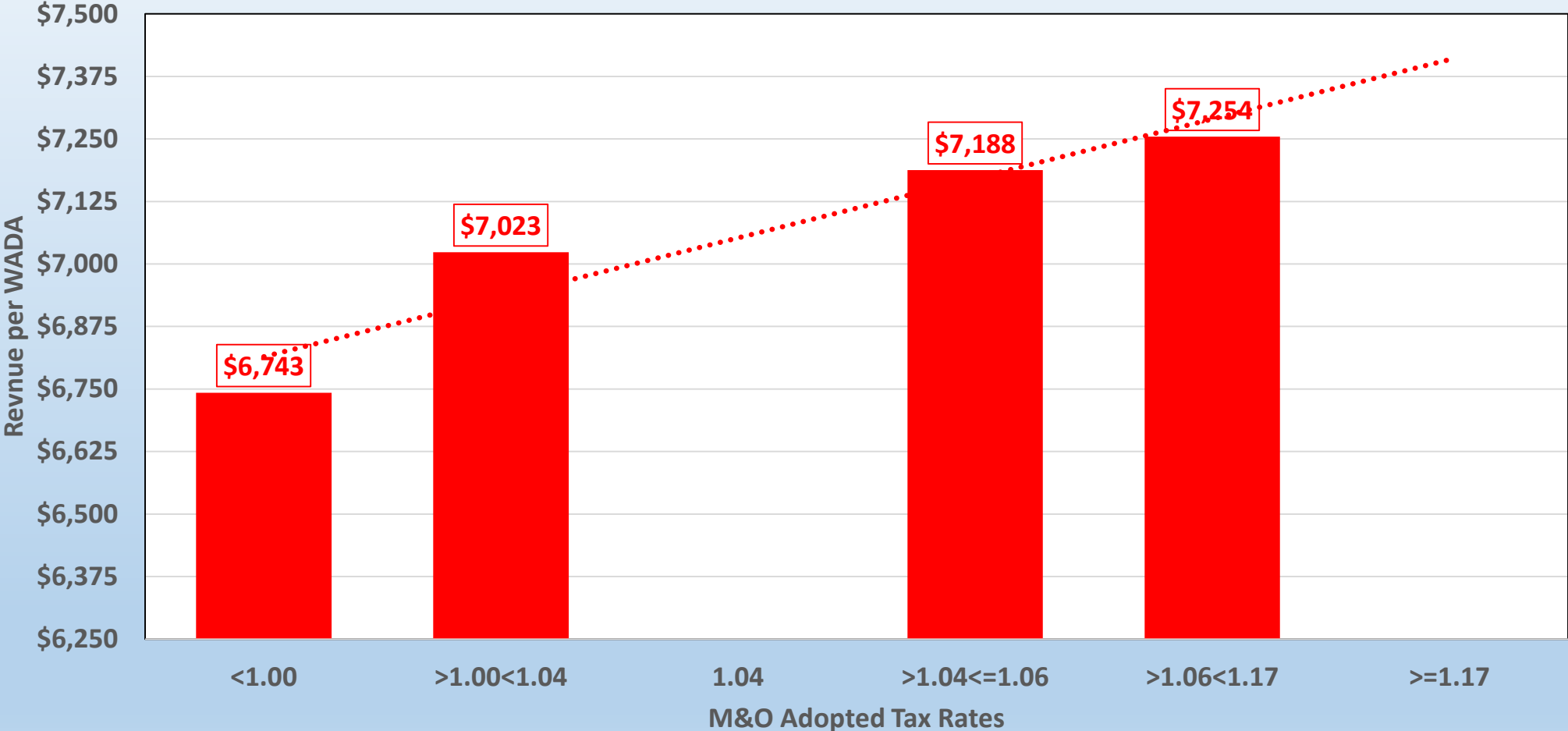
Requires all districts to adopt tax rates equal to their New Compressed Rates in order to earn Full Entitlement in Tier 1



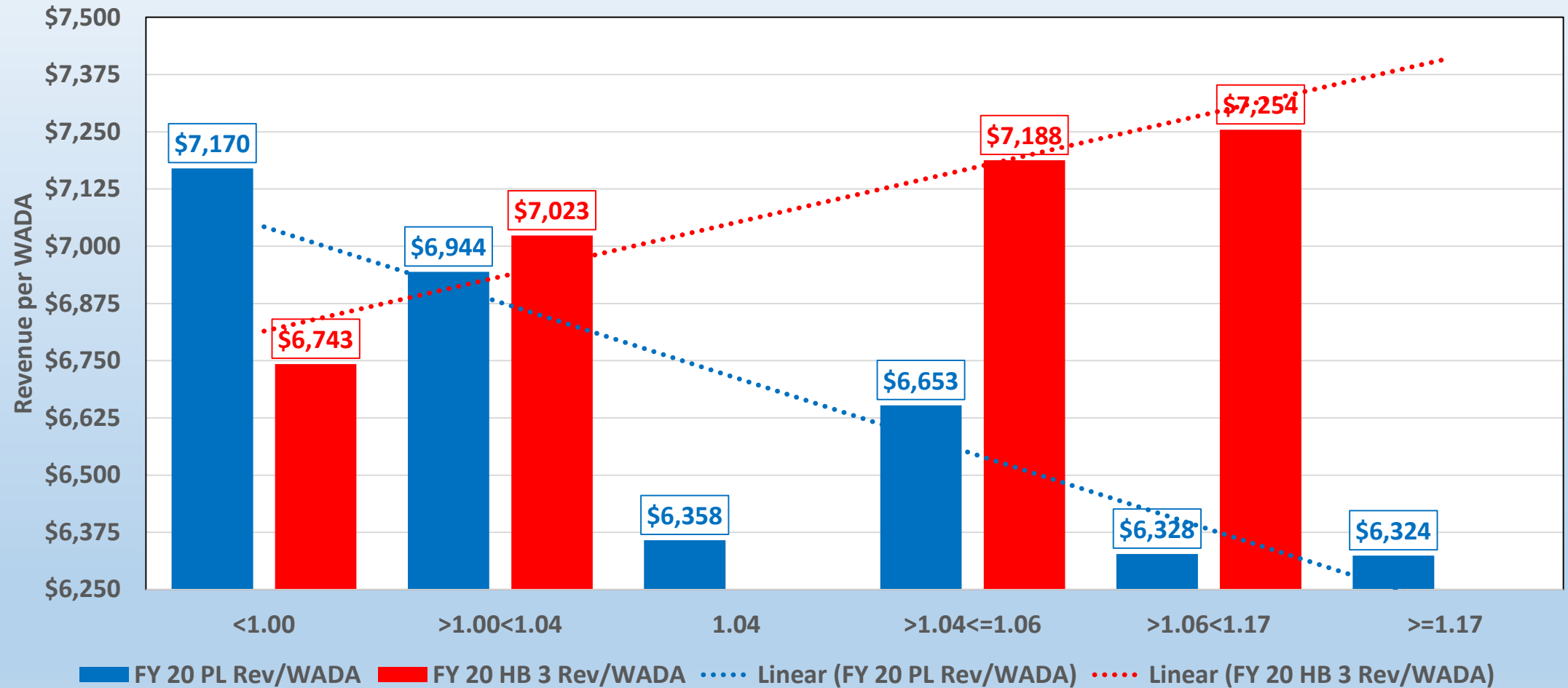
Forces all districts to tax at full New Compressed Rates before they can access any Tier 2 Golden or Copper Pennies



FY 20 HB 3 Rev/WADA



HB 3 Correcting the Equity Trends--FY 20



Tier 1 Tax Rate Compression

Assuming 5% Statewide Property Value Increase For FY22 – FY25

2020-21	2021-22	2022-23	2023-24	2024-25
Max Tier 1 Rate	Max Tier 1 Rate	Max Tier 1 Rate	Max Tier 1 Rate	Max Tier 1 Rate
0.9164	0.8945	0.8732	0.8524	0.8321
Min Tier 1 Rate	Min Tier 1 Rate	Min Tier 1 Rate	Min Tier 1 Rate	Min Tier 1 Rate
0.8247	0.8050	0.7858	0.7671	0.7488

The Effect of Tier 1 Compression on Tier 1 Funding

- Local Fund Assignment = Tier 1 Tax Rate X T2 Value / 100
- State Share of Tier 1 = Tier 1 Entitlement – Local Fund Assignment

*Meaning, Tier 1 funding remains the same. The source of the funding is altered. There is, however, taxpayer relief and the growth of excess to entitlement is slowed down.

Dr. Jesus Chavez

Facilities

Current Situation

- While there are **several ways schools can receive aid for facilities**, the two principal school facilities funding programs—**IFA and EDA-- have largely been static for nearly 20 years.**
- They have **not kept pace with enrollment growth and the costs of school construction**, putting **substantial pressure on local property taxpayers.**

Instructional Facilities Allotment (IFA)

- **In 1999, the yield was established at \$35 per ADA**—equivalent to a tax base guarantee of \$350,000 per ADA
- Relies on an appropriation from the Legislature to make new awards. There were **no additional IFA appropriations** made this past session.
- For 2019-20, the per penny per ADA guaranteed yield is still **\$35**.

Existing Debt Allotment (EDA)

- **In 1999, the yield was established at \$35 per ADA**—equivalent to a tax base guarantee of \$350,000 per ADA
- For EDA, funding is available **up to a maximum of 29 cents of tax effort.**
- In 2017, an additional \$60 M in appropriations allowed for a higher yield.
- For 2019-20, the per penny per ADA guaranteed yield is estimated to be **\$38.10.**

Raise the Yields

- In 2017, **only 31 percent of Texas public school students attended schools in districts eligible for IFA or EDA support at the \$35 yield (down from 91%)**
- **State aid paid only 6 percent of school district debt service (compared with 45 percent).**
- Raising the yields could **help schools with facilities needs and provide additional tax compression.**

Working with your Legislator

Educators, we are all in the same boat. Let us speak with one voice!

Superintendents, it's never too early to begin working your legislator

1. Know who your representative/senator is. Use this link to find out; all you do is enter your address: <http://www.fyi.legis.state.tx.us/Home.aspx>
2. Between now and December, meet at least once with your representative/senator; Setup groups of superintendents to meet with each representative and senator; have a superintendent organize/host meeting.
3. Ask your board president/members to meet with representative/senator as well. Your board member can speak to general concern, you/CFO can provide detail and further background information.
4. Visit the Capitol. The purpose of your visit is to make them aware of funding priorities/concerns (or other identified issue)

Involve your board members in your area/region

1. Before session begins, call a meeting to set/discuss legislative priorities. Have a facilitator and set a few (2-4) priorities to work on. Need one district to take lead. Use available resources (TASA, TASB, Region, etc)
2. Prepare trifold or letter listing priorities. Use this when you visit your representative and senator. The trifold/letter will serve as the basis of your conversation.
3. Ask for volunteers to visit Capitol during the session
4. Have involved board members meet monthly to receive update and plan following months activities.

In your district:

- Present report to board on area/region legislative priorities
- Develop and approve resolution highlighting funding priorities
- Inform your employees and community through website, email, meetings
- During session, have a legislative report item on the agenda
- Have board members call on legislators via phone, visit to capitol, testifying before committee

Involve Yourself, Advocate for Your Students

Dr. Ray Freeman

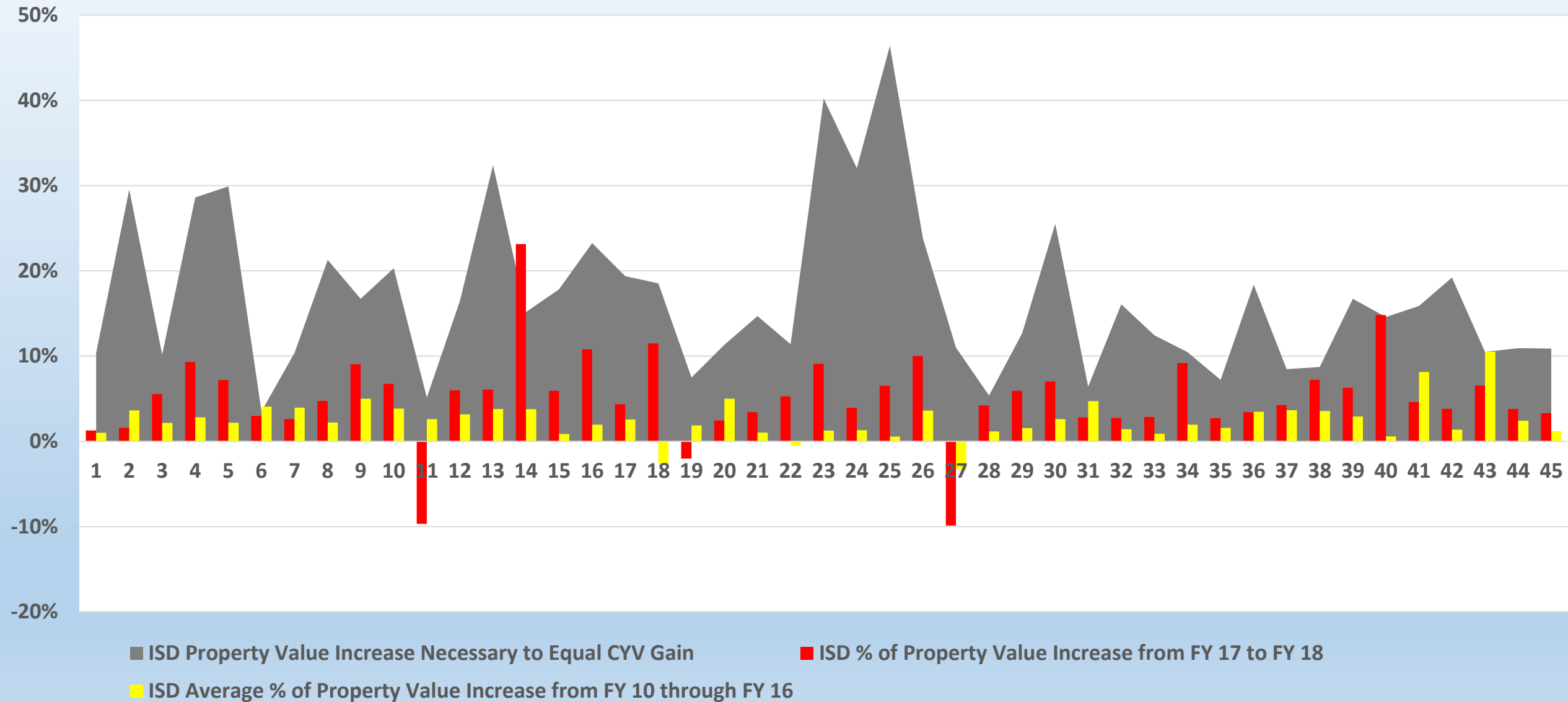
What's Next?

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

- **Cost Based Issues Still to be Addressed**

- Current Year Collections
- I&S/Facilities
- Cost Adjustment (Driver) for the Basic Allotment
- Student/District Cost Differentials (Small/Mid-sized, Geographic Variations, etc.)
- Repurpose existing Transition Revenue to Cost Based Needs

ESC Region 8 ISDs—District by District % of Property Value Growth Necessary to Equal CYV Gains



Continued Cycle for the Evaluation & Update of Weights & Allotments

Student Weights	Weights/Allotments	Study Cycle*
	Compensatory Education	#1
	Bilingual/Dual Language Education	#1
	Special Education	#2
	Career Tech Education	#2
	Dyslexia	#3
	Kindegarten-3	#3
District/Demographic Weights	Facilities Funding (I&S)	#1
	Geographic Variations (former CEI)	#1
	Small & Mid-sized	#2
	Fast Growth	#2
	Transportation	#2
	College, Career, & Military Readiness Outcomes	#3
	Teacher Incentive	#3
	Mentor	#3

***The amount of time between the recurrences of studies should be cyclical and established by statute. Obviously, depending on the weight/allotment being studied, that cycle could vary in duration. Studies would be conducted between legislative session.**

What's Next?

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

- **Non-Cost Based Funding to be Addressed**
 - Full Tier 1 Entitlement for Some but not for All
 - LOHE Funding
 - Variations in Tier 1 Tax Rates
 - Tier 2 Yield Gaps
 - Old and New Hold Harmlesses
 - Other Special Provisions