



**Friday, September 20<sup>th</sup>  
7:30 – 8:30 am, Room D-174  
Kay Bailey Hutchison  
Convention Center – Dallas  
Booth #620  
Adam Pierce, Josh  
Sanderson, Ray Freeman**

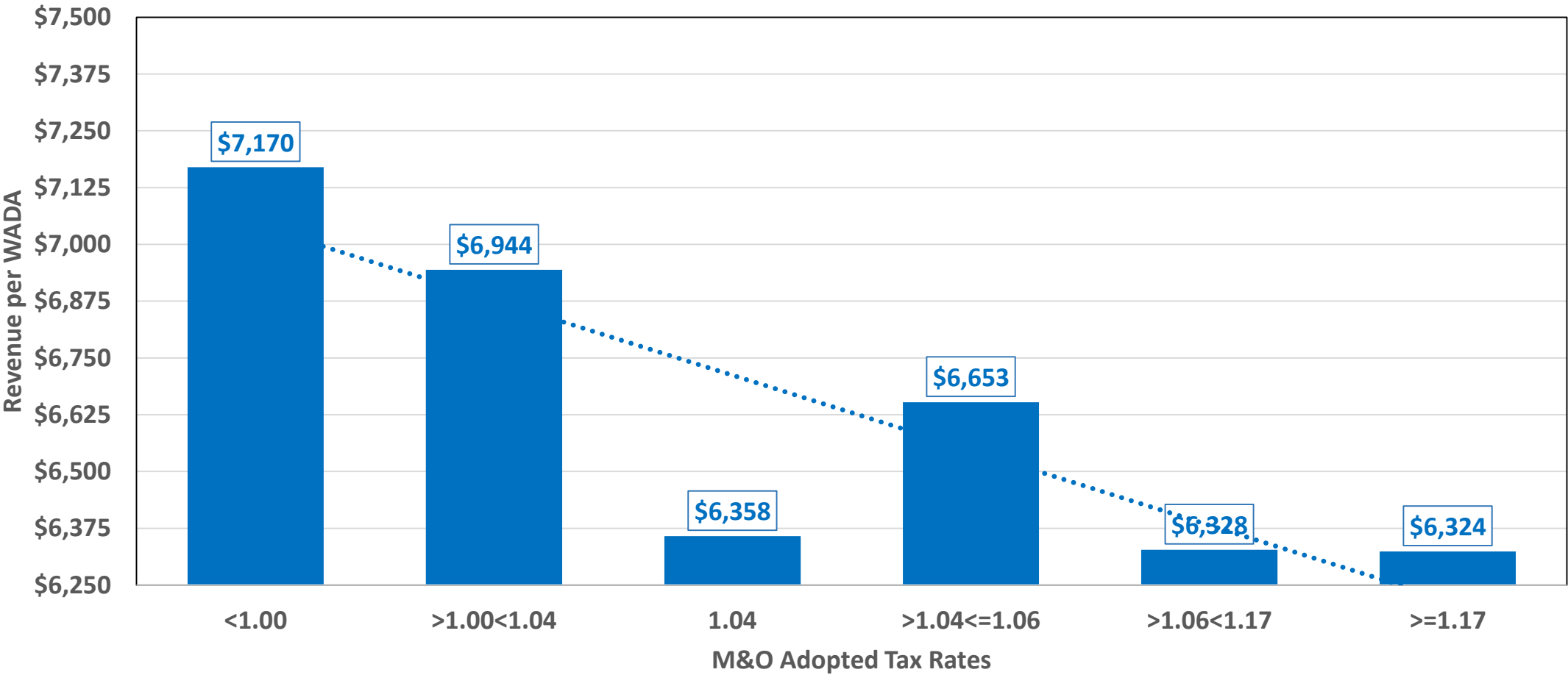
***“What happened to my share of the \$11.6 billion?”***



*What happened  
to my share  
of the \$11.6 billion?*

\$405,828

# FY 20 Prior Law (PL) Rev/WADA



# Texas Constitution

- **ARTICLE 7, Section 1**

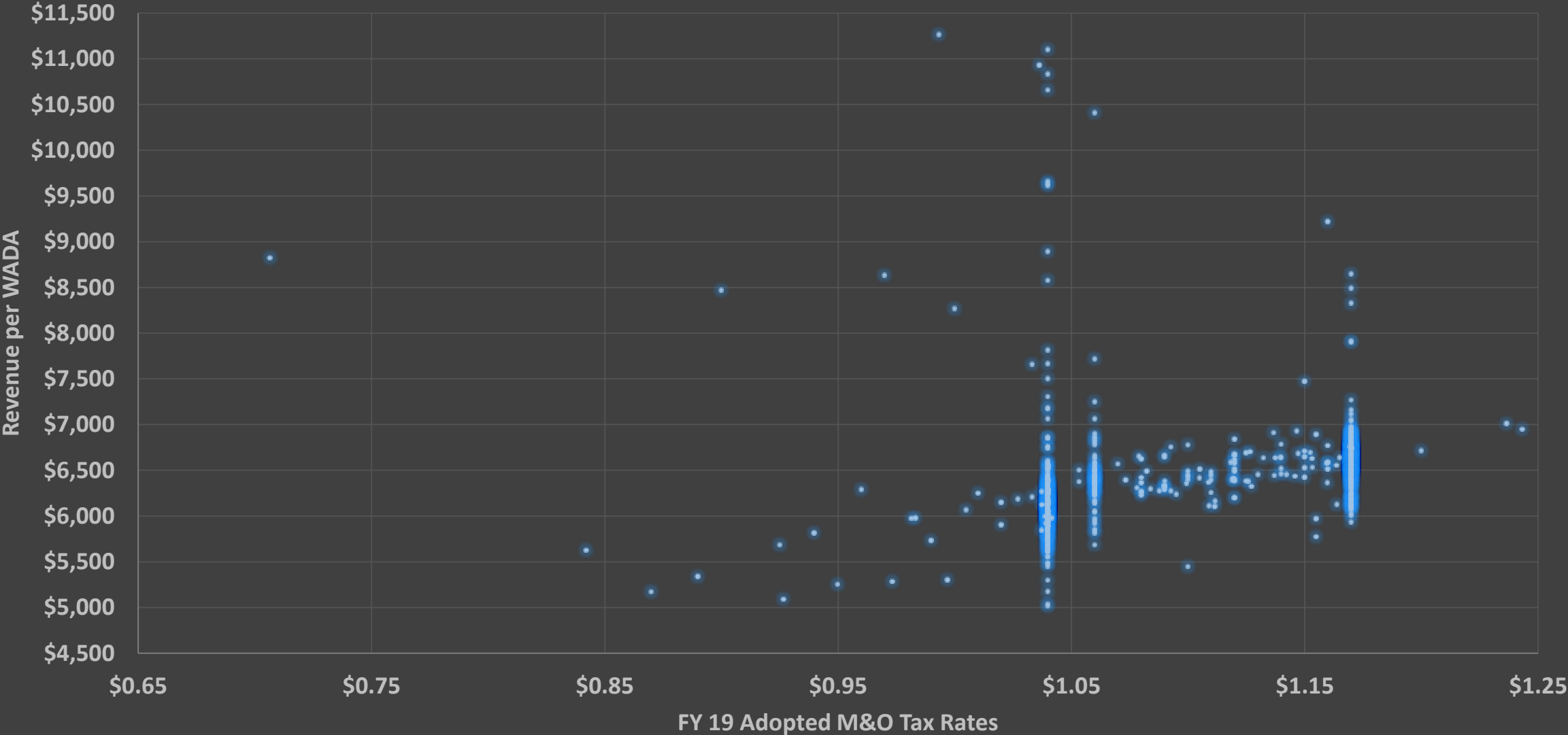
The Legislature shall provide a system of free public schools and shall do so by creating individual school districts.

# Actual Texas Constitution

- **Article 7, Section 1**

...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.

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



# What happened to the \$11.6 billion?

- 1,017 school districts
- 5.2 million students

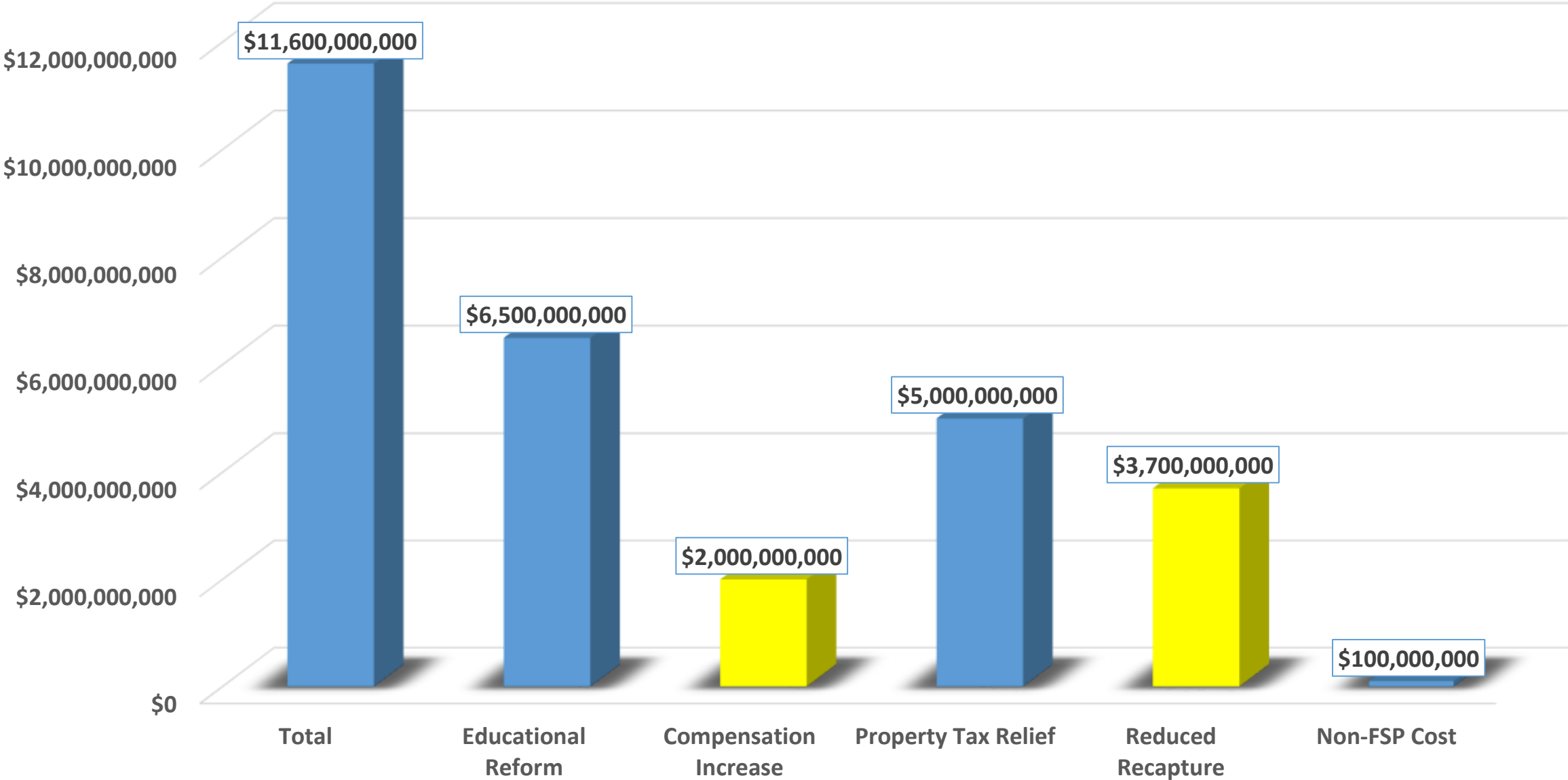
- \$11.6 billion in new revenue
  - \$6.5 billion for education reform
    - (\$2 billion for compensation increases)*
  - \$5 billion in tax reduction/compression



# Billions and Billions... Context

- State two-year budget is \$250 Billion
  - 6.3% growth
  - -1.5% adjusted for population and inflation
- \$118 Billion is unrestricted General Revenue
- Total K-12 public education portion of the budget: \$56 billion

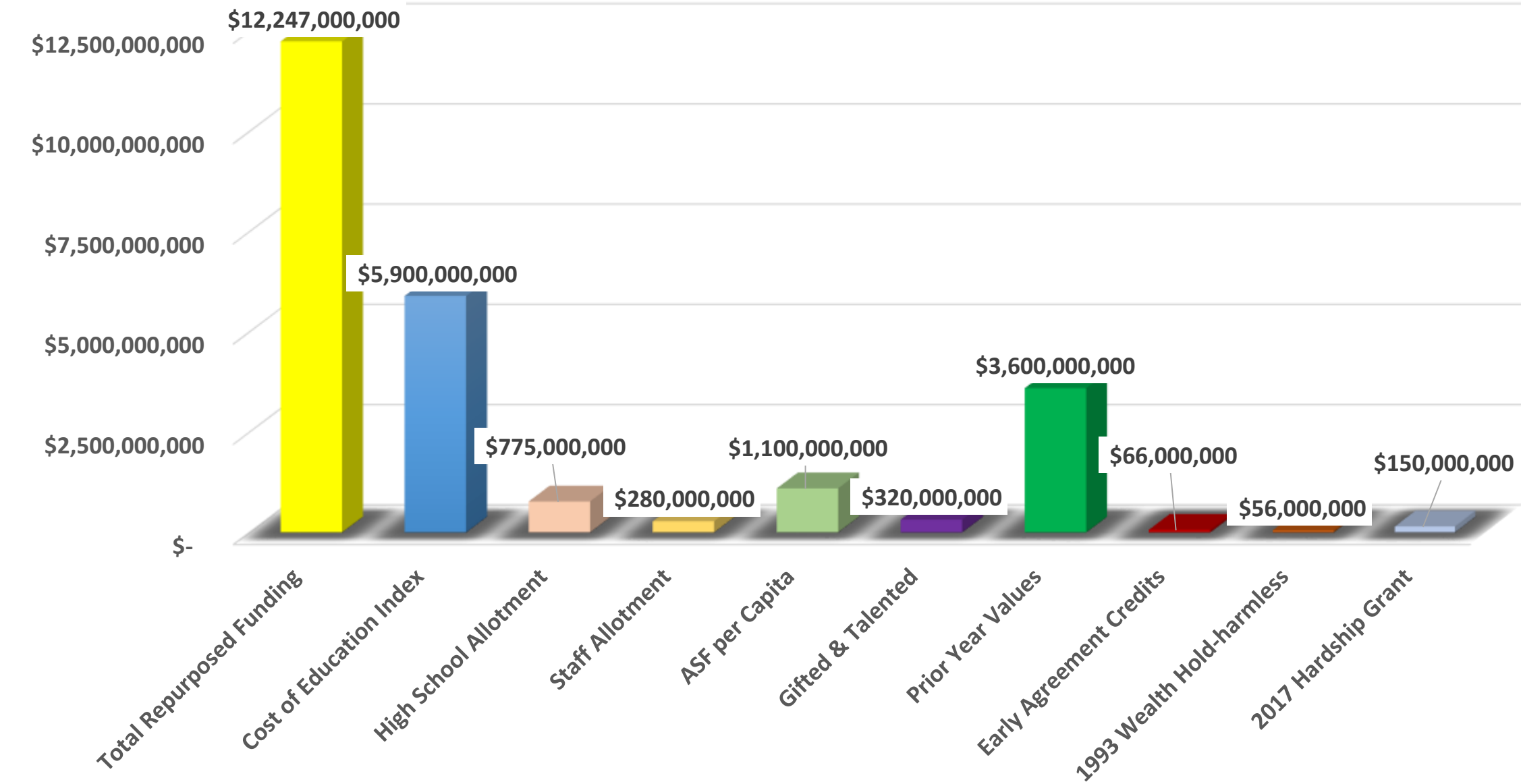
# New Revenue for FY 20-21 – HB 3



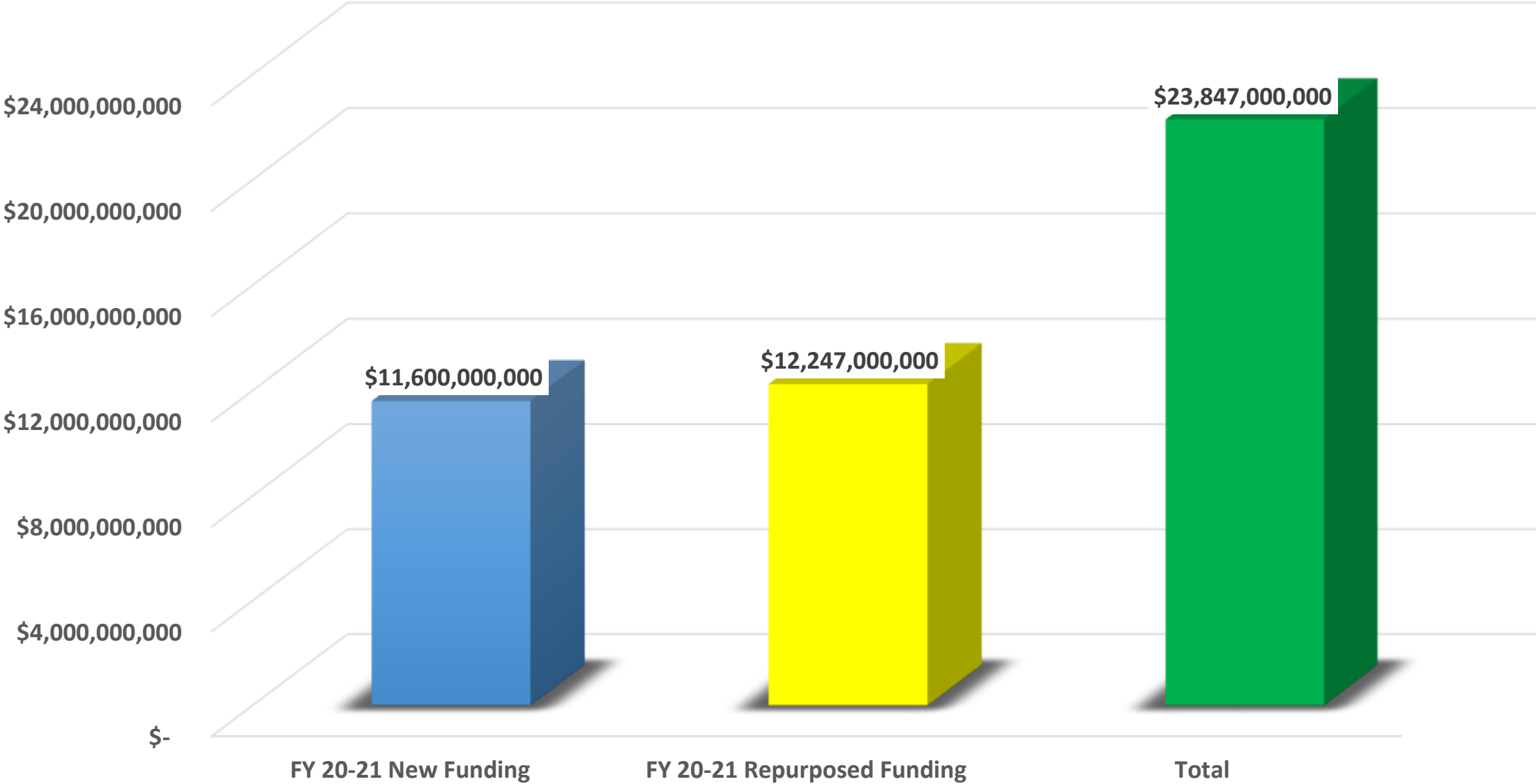
# Educational Reforms / Repurposed Funds

- Basic Allotment increase to \$6,160 - an increase of \$1,020
- Eliminated and repurposed billions of dollars in existing educational programs such as:
  - Cost of Education Index (\$5.9 billion)
  - High School Allotment (\$775,000,000)
  - Staff Allotment (\$280 million)
  - Gifted and Talented Allotment (\$320,000,000)
  - Move to current year values (\$3.6 billion)
  - 4% early agreement credit (\$66,000,000)
  - 1993 Wealth Hold Harmless (\$56 million)

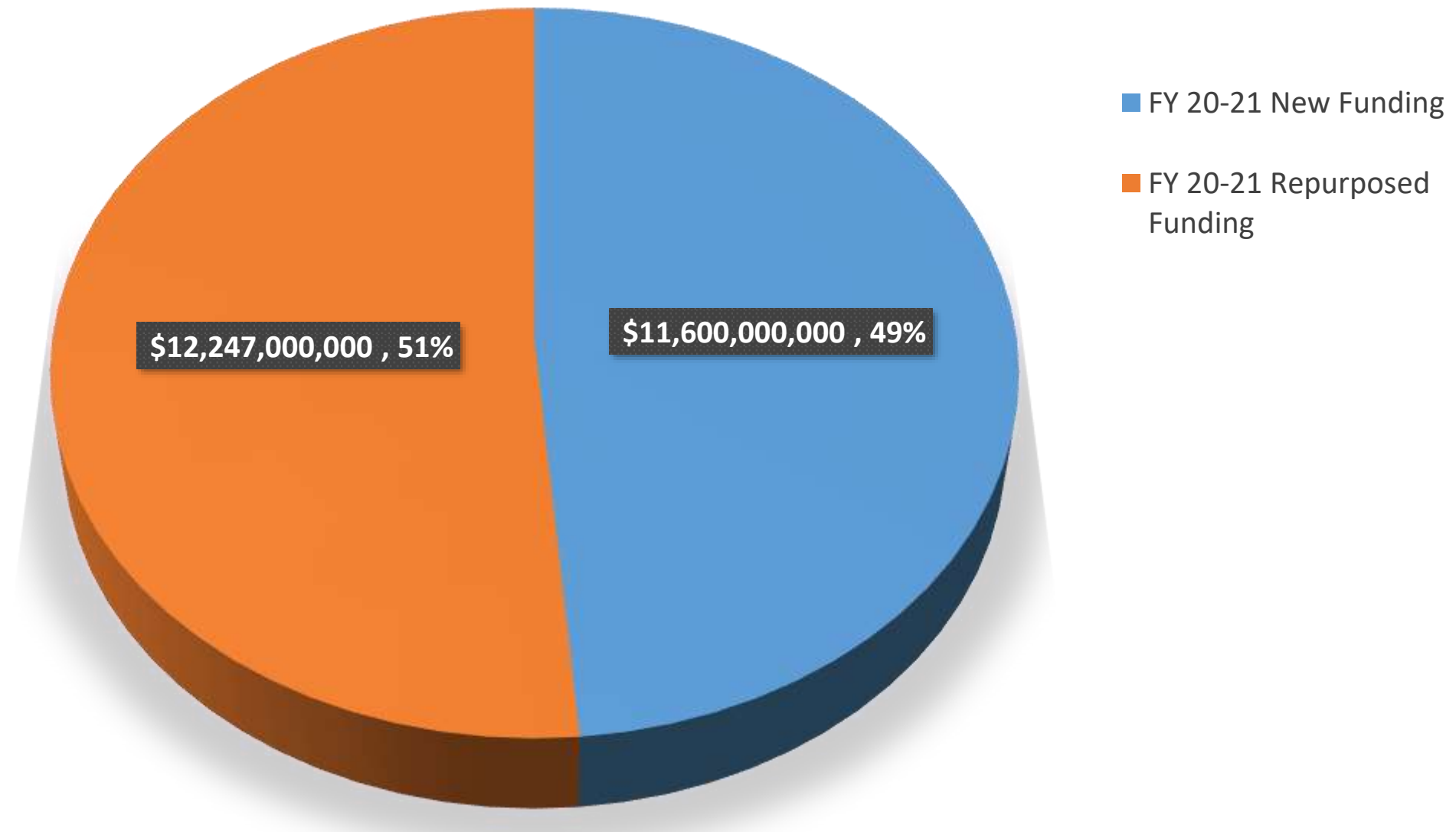
# FY 20-21 Repurposed Funding -- HB 3



# FY 20-21 New & Repurposed Funding



## FY 20-21 New & Repurposed Funding -- \$23.8 Billion



# New Education Reforms / Expenditures

- Compensatory Education Allotment increase
- Bilingual Allotment increase
- Special Education Allotment increase
- Dyslexia Allotment increase
- Mentor Allotment
- Career and Technology Allotment expansion
- Fast Growth Allotment
- College, Career, and Military Readiness Outcomes Bonus
- K-3 Allotment

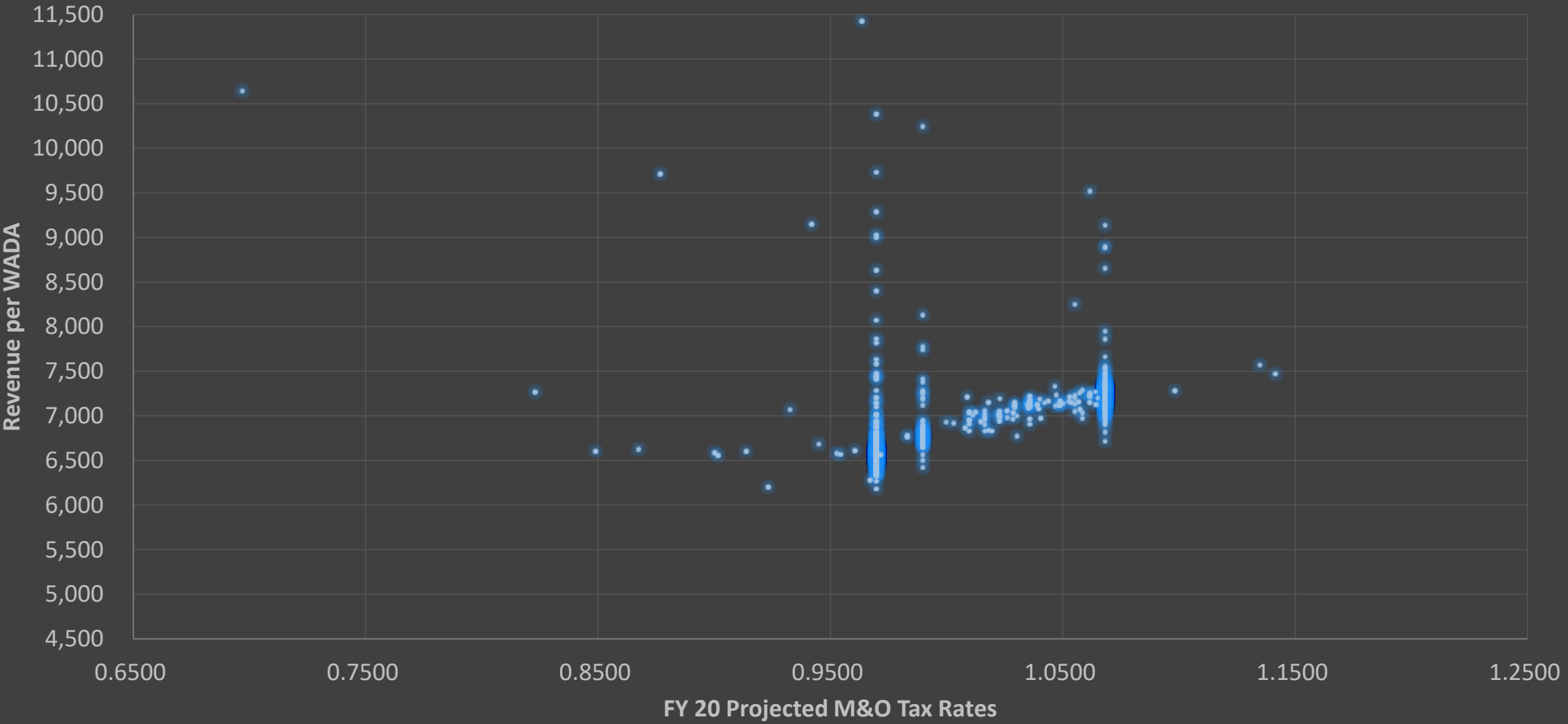
# A Blueprint for Success

- **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**





# HB 3 FY 20 Projected Revenue/WADA by Compressed Tax Rates



# Compensation

## What happens when the Basic Allotment is increased?

- All steps on the state minimum salary schedule are increased
- 30% of ALL new revenue per ADA a district receives from FY19 to FY20 **must go to employee compensation**
- 75% of this amount must be *used for full-time teachers, counselors, librarians, and nurses*. Must prioritize differentiated compensation for classroom teachers with more than five years of experience.
- Creates **teacher merit/incentive pay program**\*

# FY20 Tax Rate Compression and Rollback Rate

- Statewide Tier 1 tax :
  - 0.93 for the majority of school districts, unless the district had an ATR of less than 1.00 in FY19
- Rollback is the district maximum compressed rate plus greater of:
  - 4 cents
  - Number of enrichment pennies from the prior year
    - Copper pennies are compressed using the ratio of 31.95/49.28

# 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

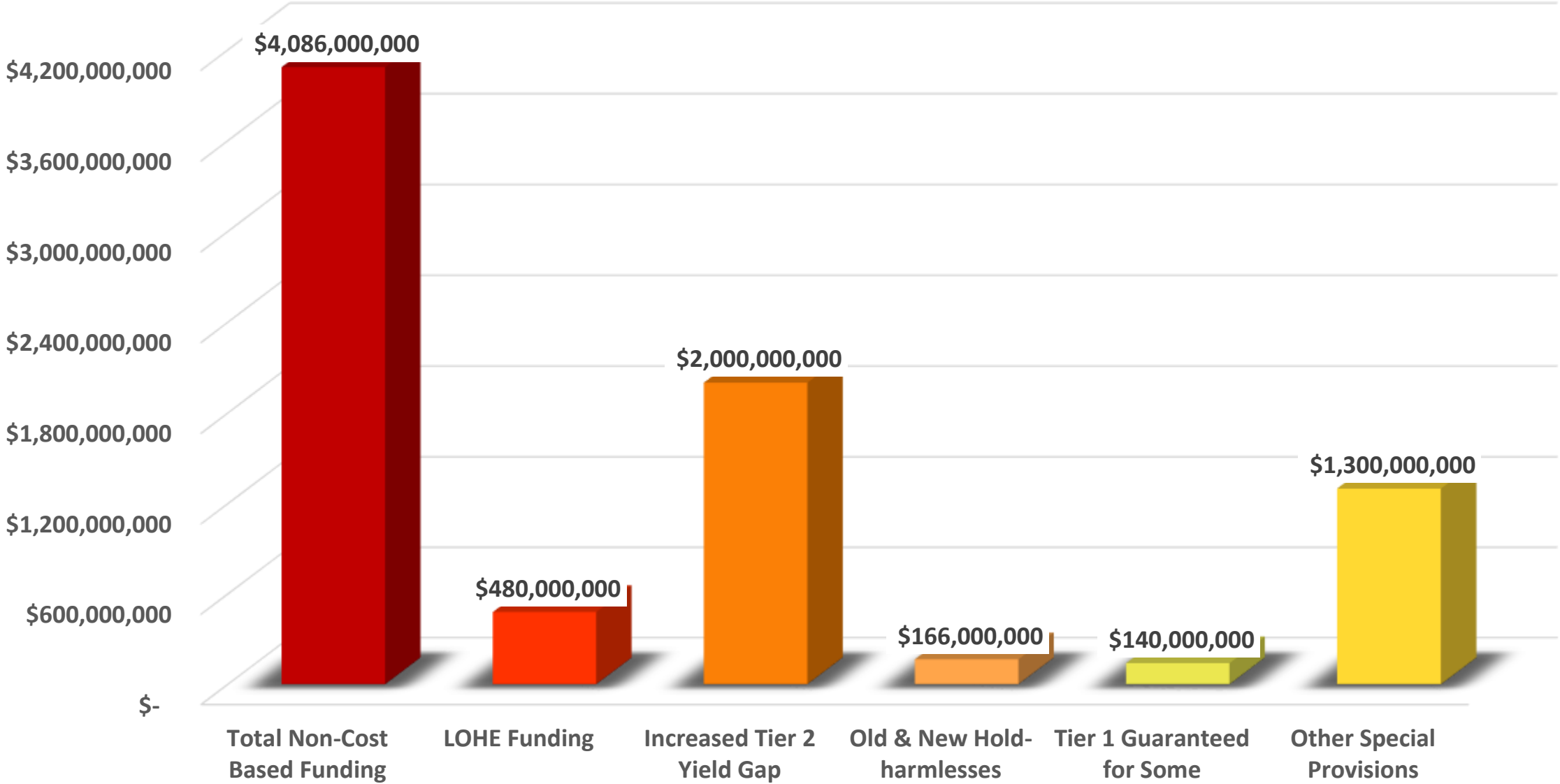
- Rollback is the district maximum compressed rate plus greater of:
  - 5 cents – with unanimous board approval
  - Number of enrichment pennies from the prior year



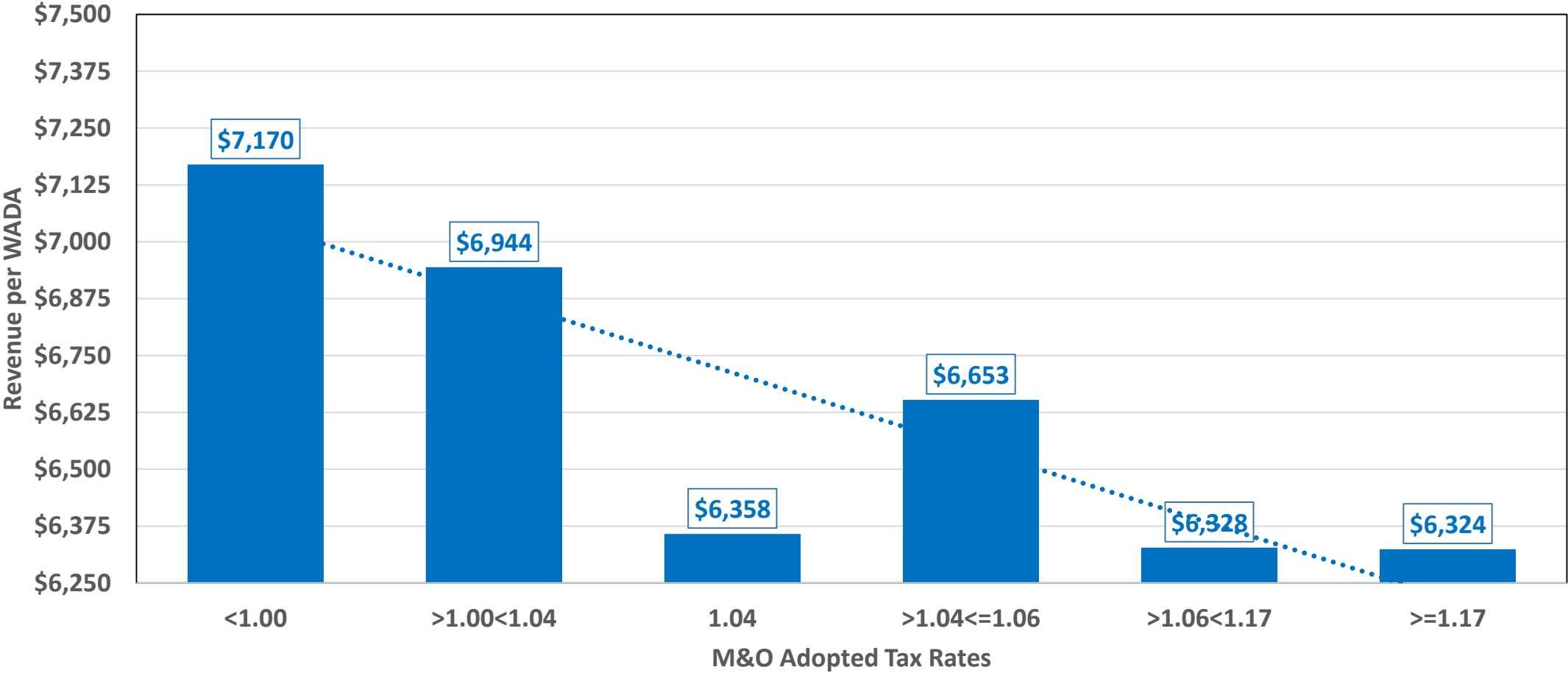
# Other Concerns

- Non-cost based elements
- Guaranteed Tier 1 Entitlement for districts with local revenue in excess of entitlement - **\$307 million for 89 districts**
  - Loss of Tier 1 collections due to LOHE paid for by the state – **\$238 million for 44 districts**
- Lowering of golden penny yield
- Hold harmleses
- Counting the increase in state property value twice for compression
- Facilities funding

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



# FY 20 Prior Law (PL) Rev/WADA



## Equity Gains From HB 3, 86<sup>th</sup> 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, 86<sup>th</sup> 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**



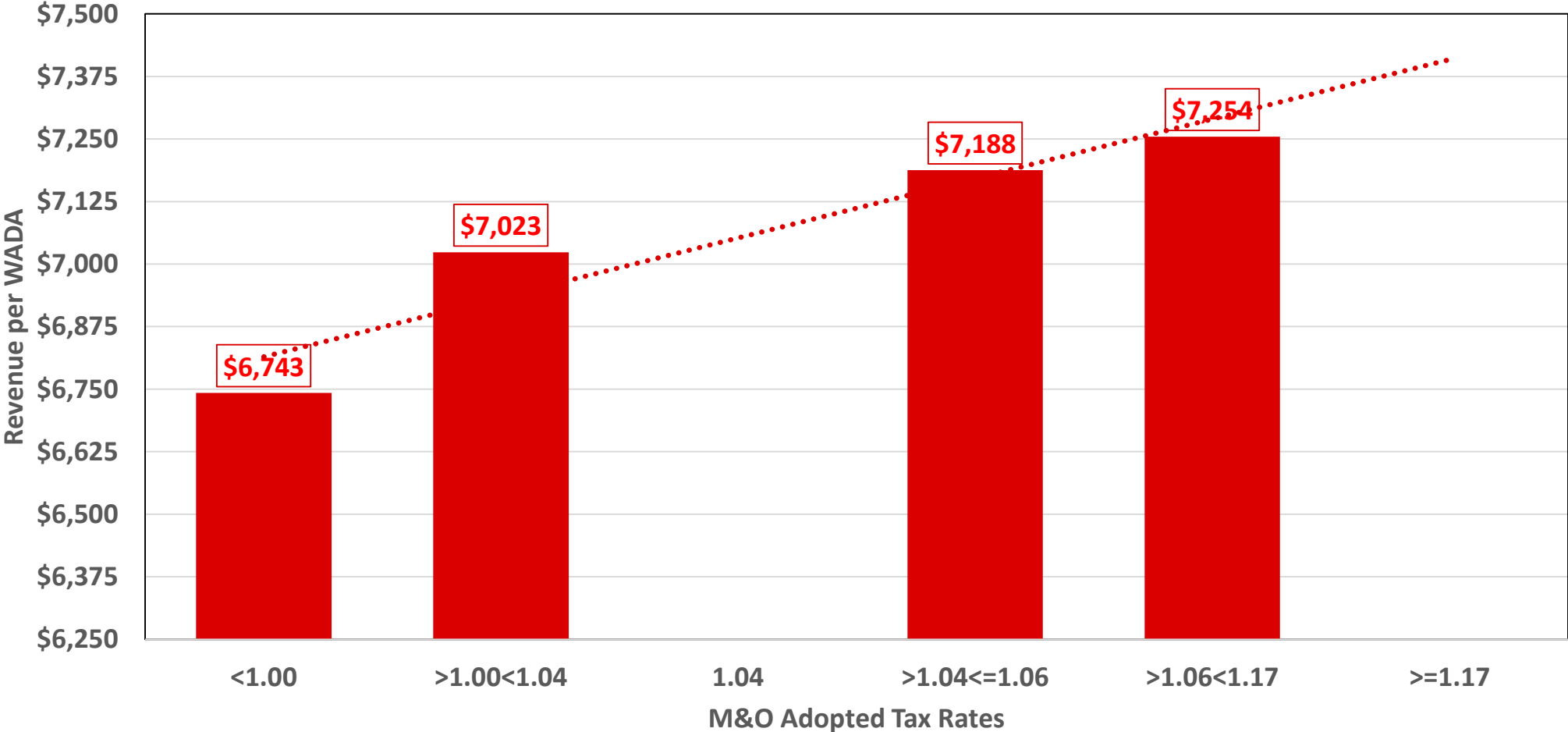
**Eliminated the GT Allotment, rolling those funds into the Equalized Formula System**



**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**



# FY 20 HB 3 Rev/WADA



## Equity Gains From HB 3, 86<sup>th</sup> 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** ✓

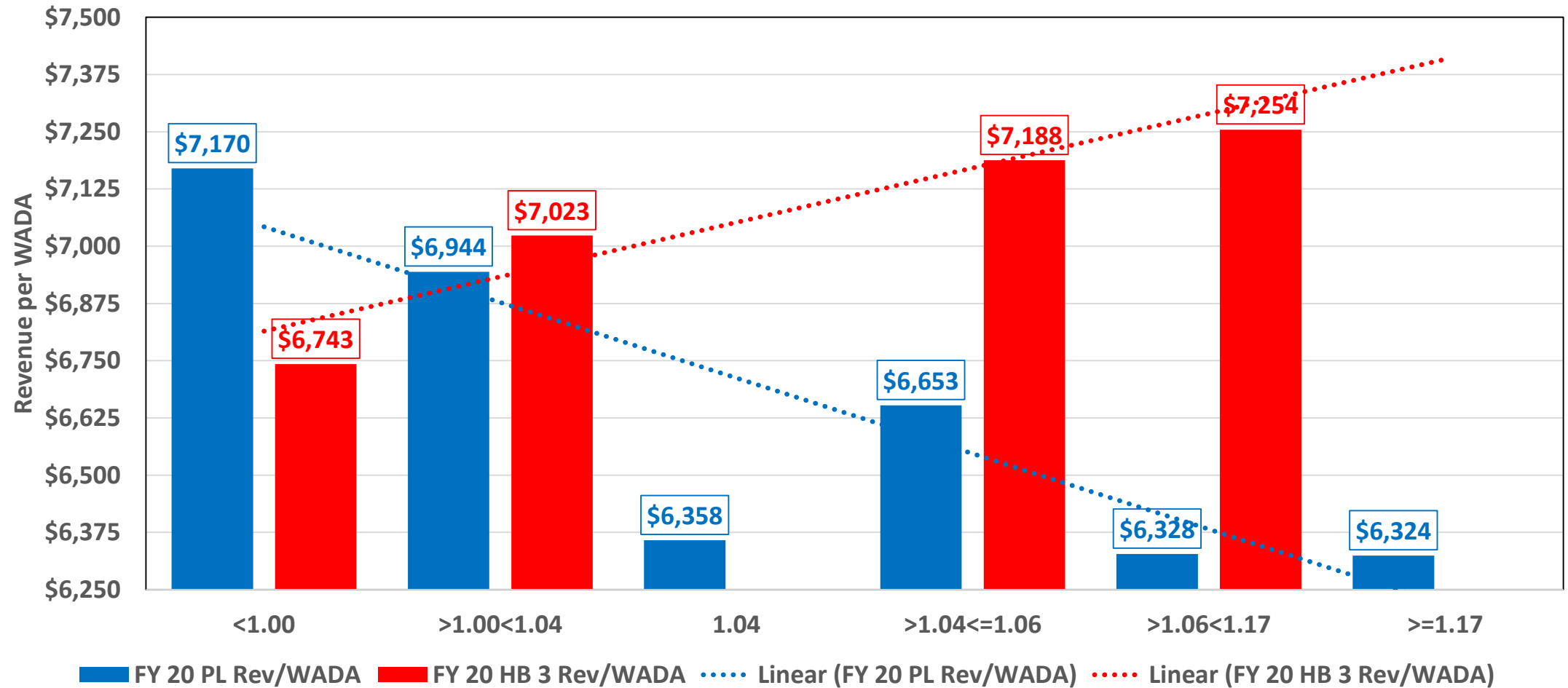
**Put the 1993 Wealth Hold-Harmless (26 years old) on a 5-year Phase Out to elimination** ✓

**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** ✓

## HB 3 Correcting the Equity Trends -- FY 20





## Equity Gains From HB 3, 86<sup>th</sup> 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**



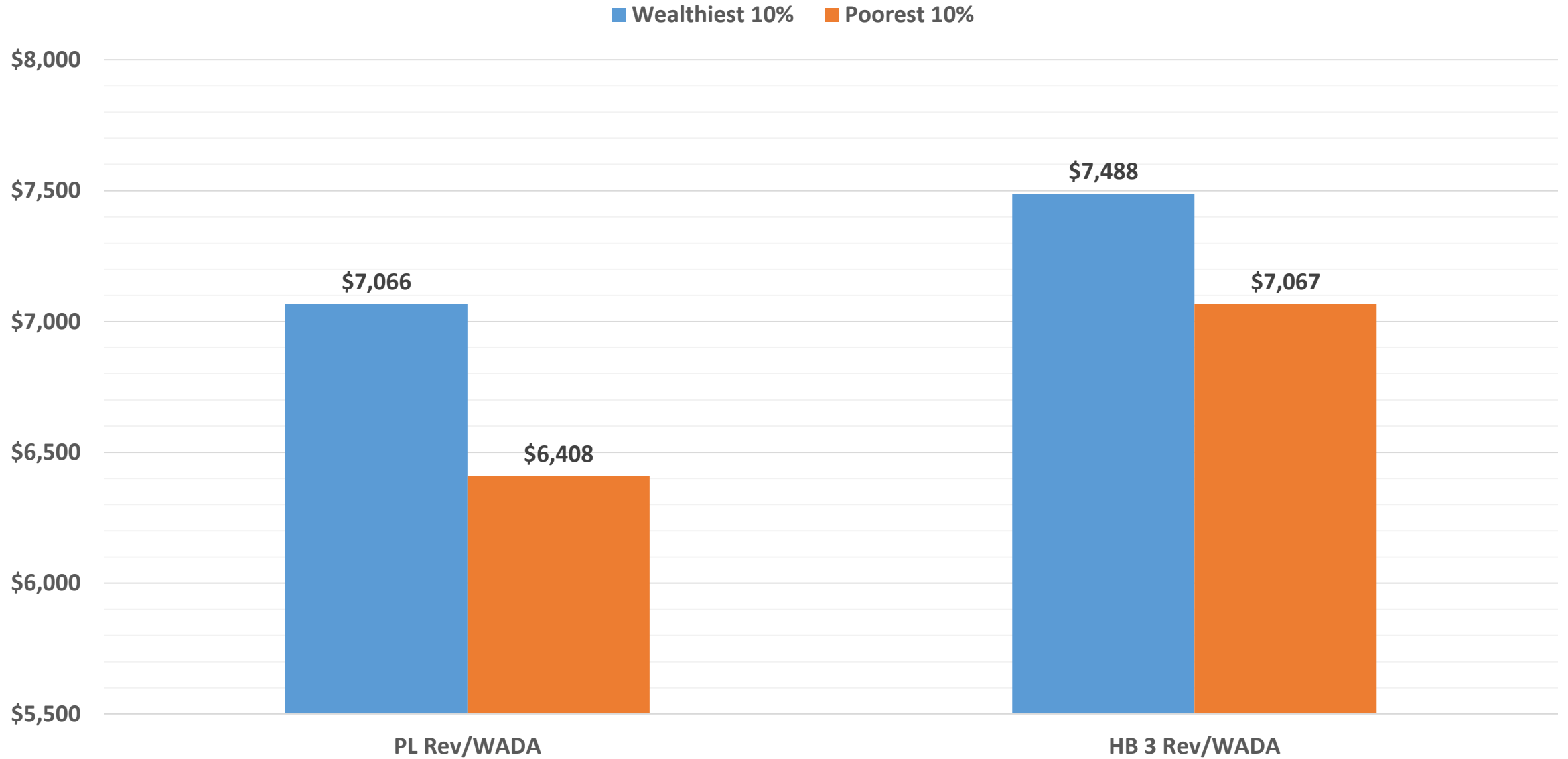
**Requires all districts to adopt tax rates equal to their New Compressed Rates in order to earn Full Entitlement in Tier 1**



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



## Prior Law/HB3 Average FY20 Revenue per WADA



# What's Next?

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

- **Strengthen & Refine**

- **Cost Based**

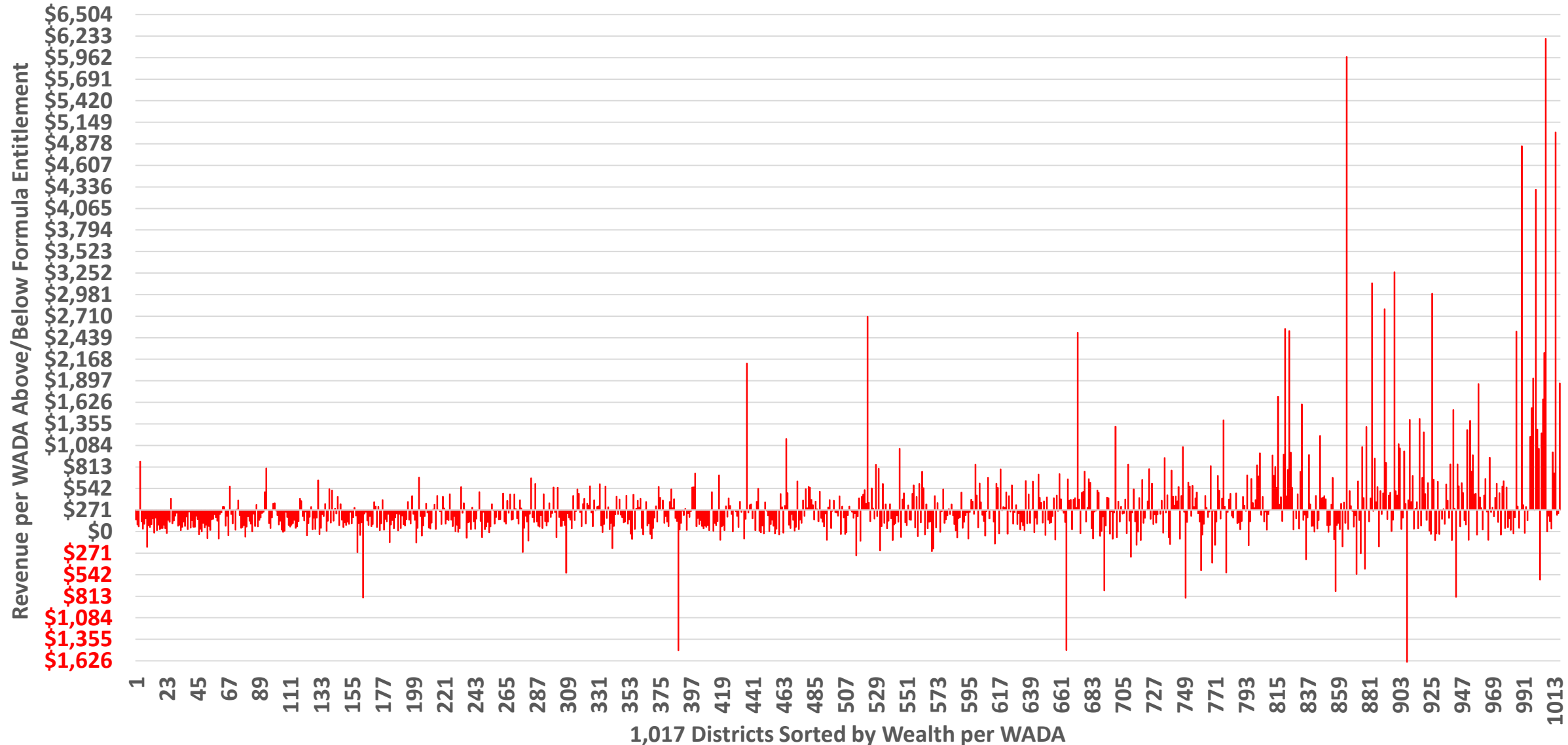
- Current Year Collections
- I&S/Facilities
  - EC study
- Student Cost Differentials  
(Small/Mid-sized, Geographic Variations, etc.)

- **Correct and/or Eliminate**

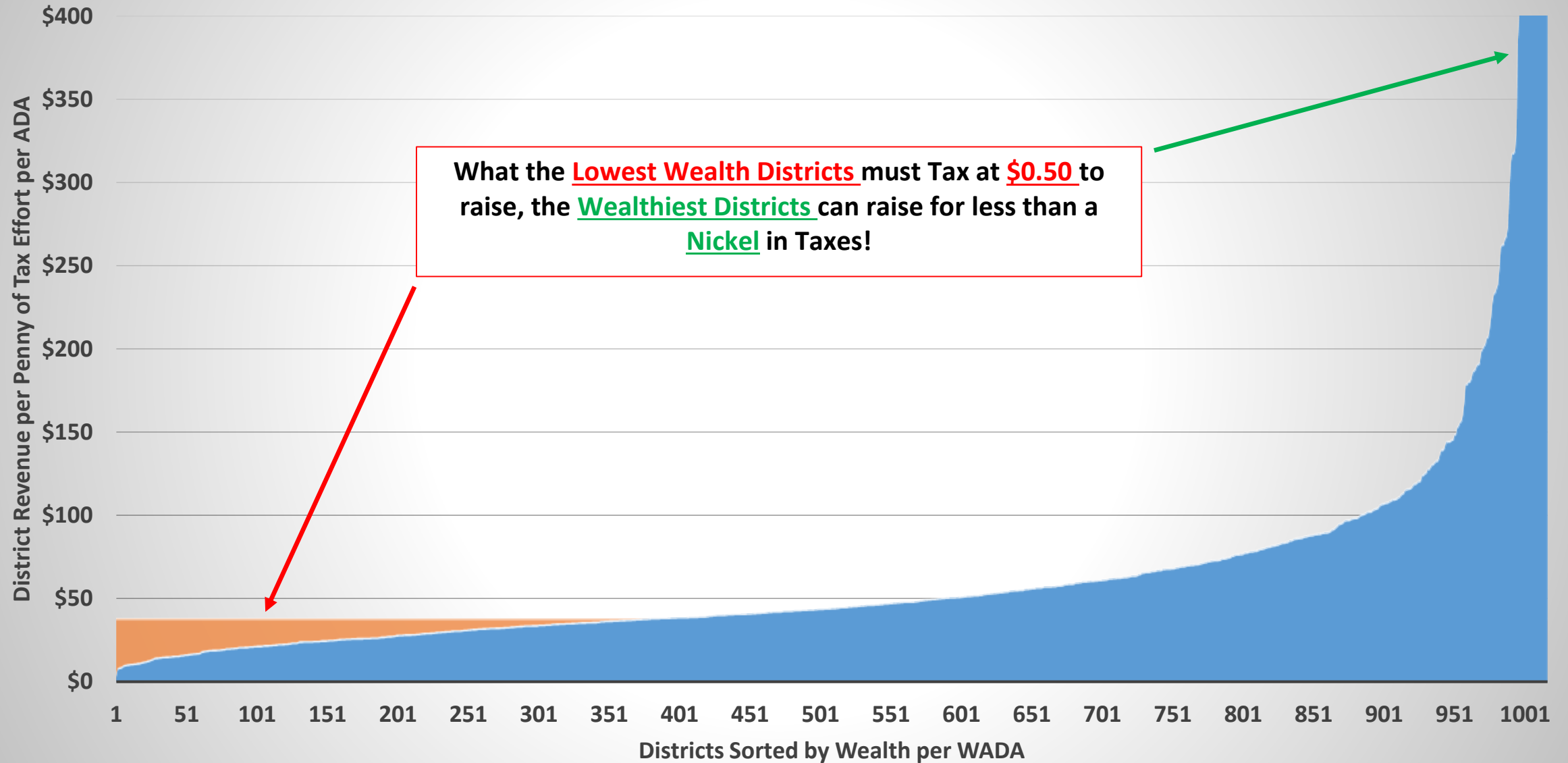
- **Non-Cost Based**

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

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

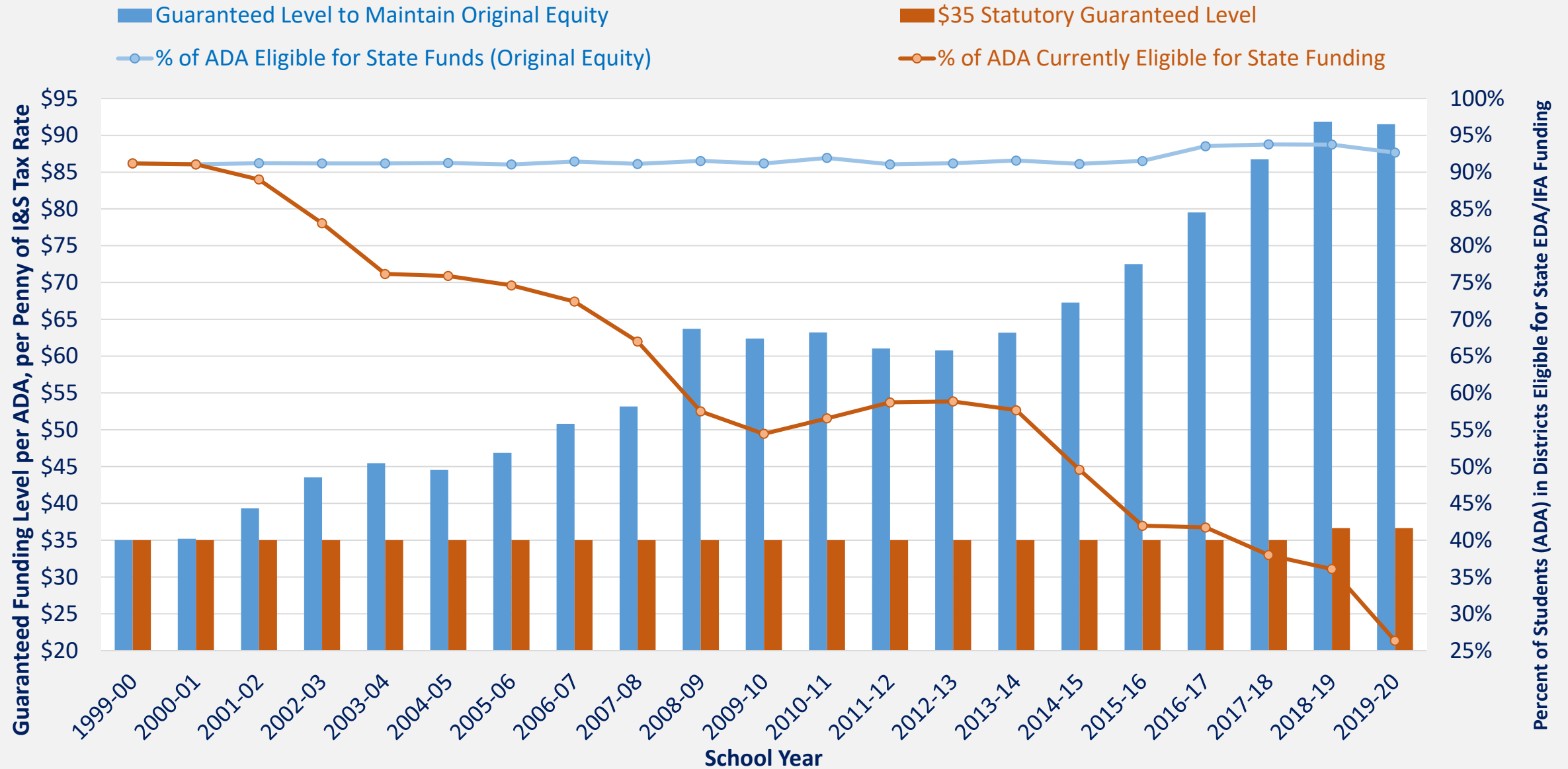


## Unequalized Funding for Facilities--EDA & IFA for FY 20

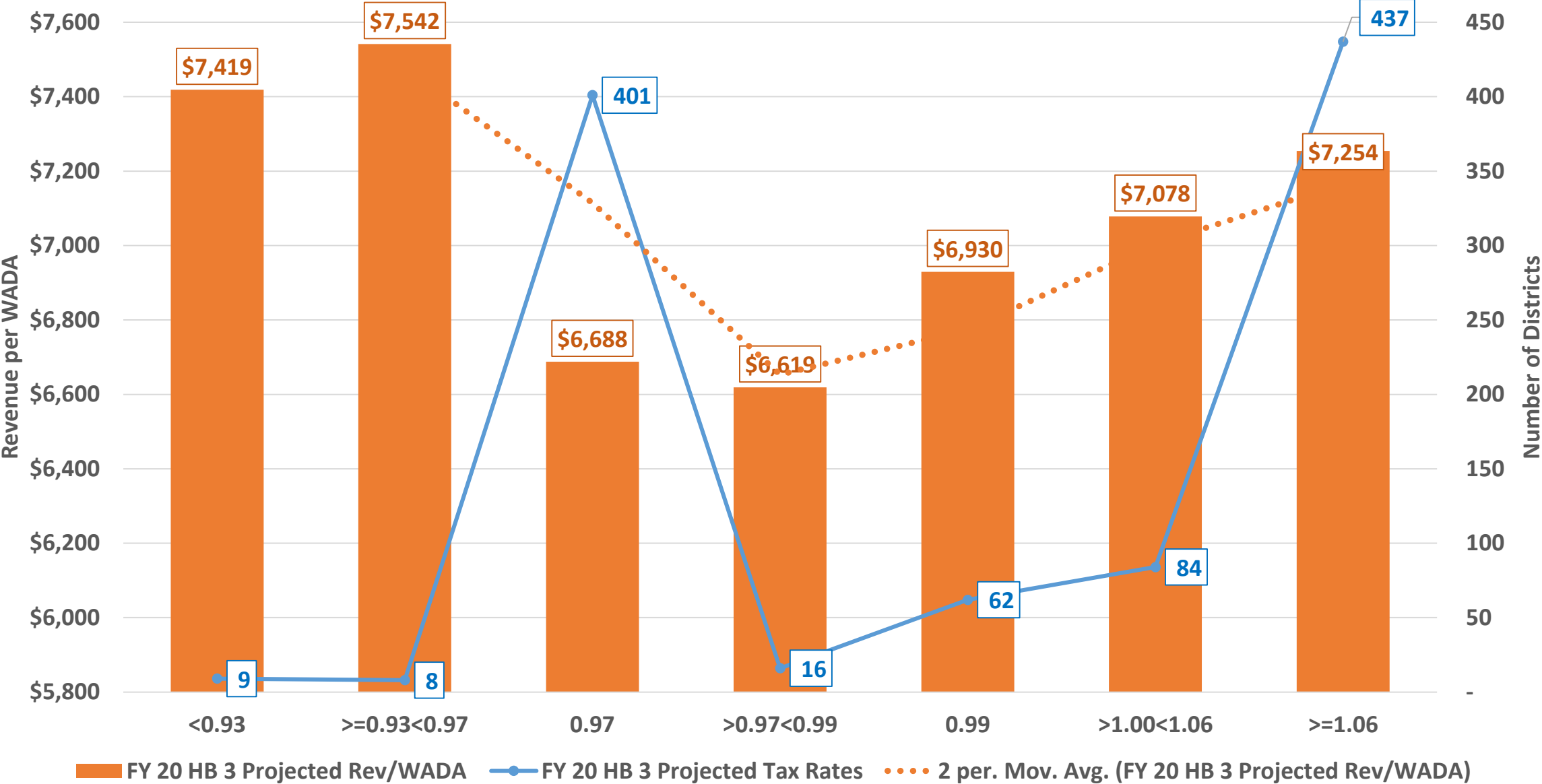


# Comparison of EDA/IFA Funding Levels and Percent of ADA in Eligible Districts

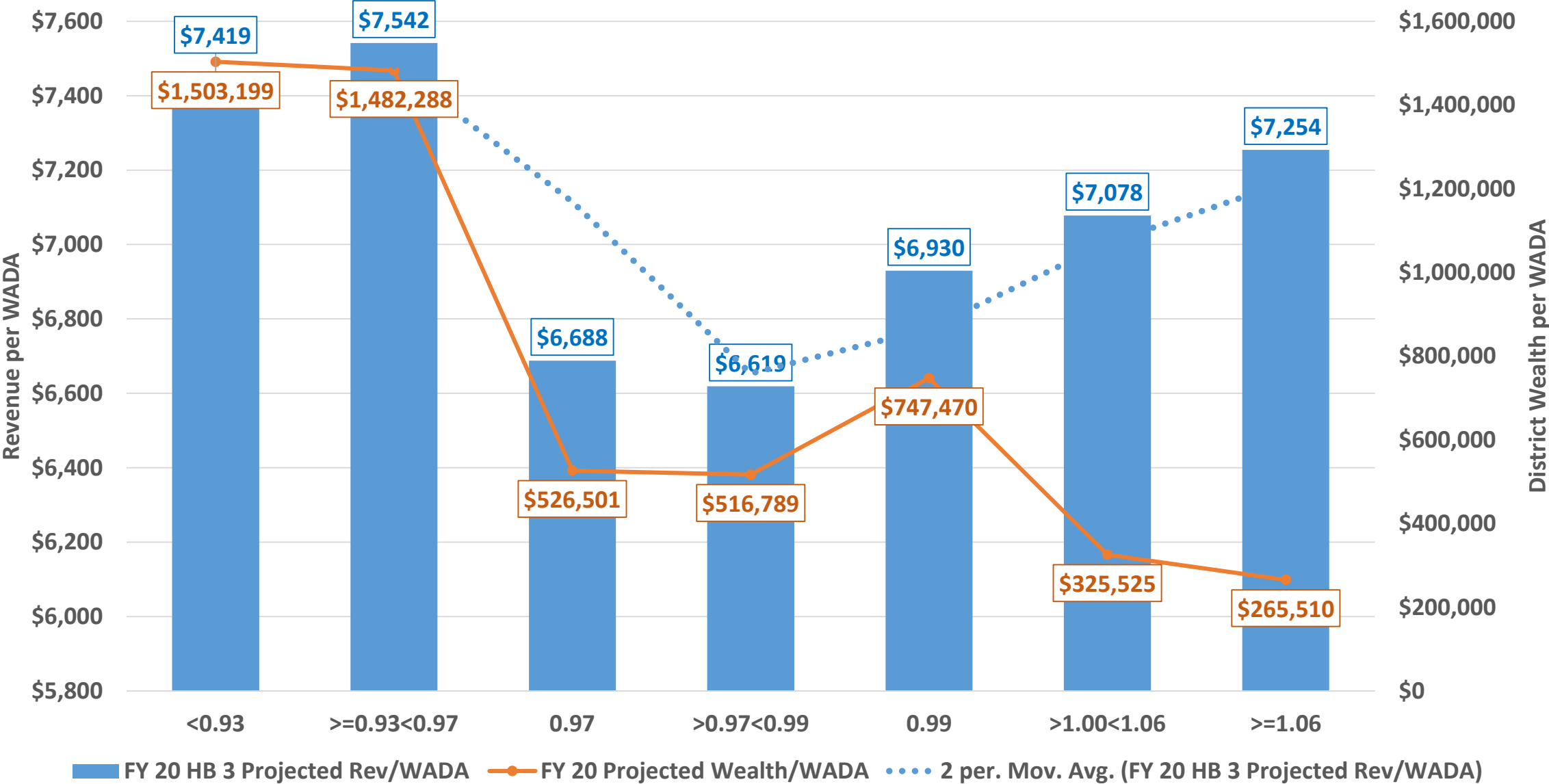
## Statutorily Frozen at a \$35 Guaranteed Level vs. Original Equity Level Maintained



# 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





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





# Questions?

(512) 478-7313

[www.equitycenter.org](http://www.equitycenter.org)

\*Drop by booth #620

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



**Equity Center**  
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