



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

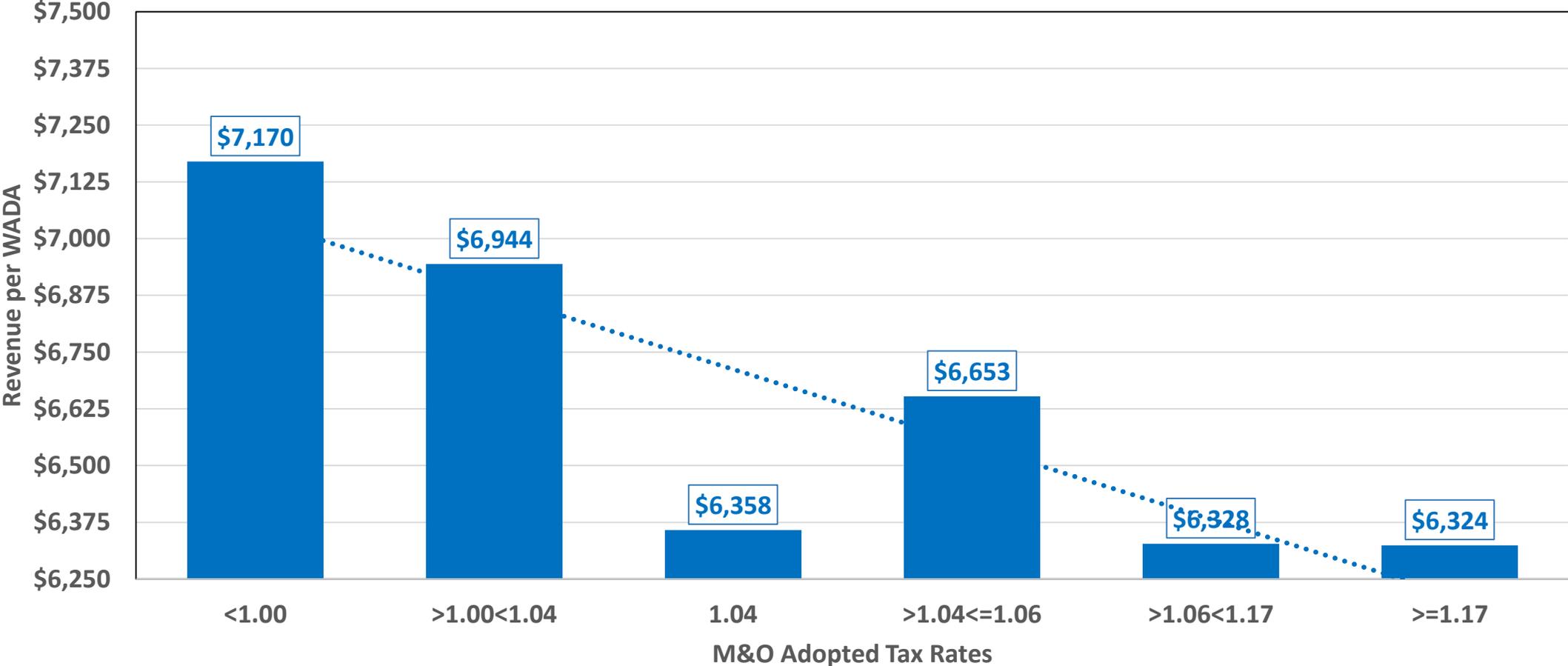
“What happened to my share of the \$11.6 billion?”



*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**

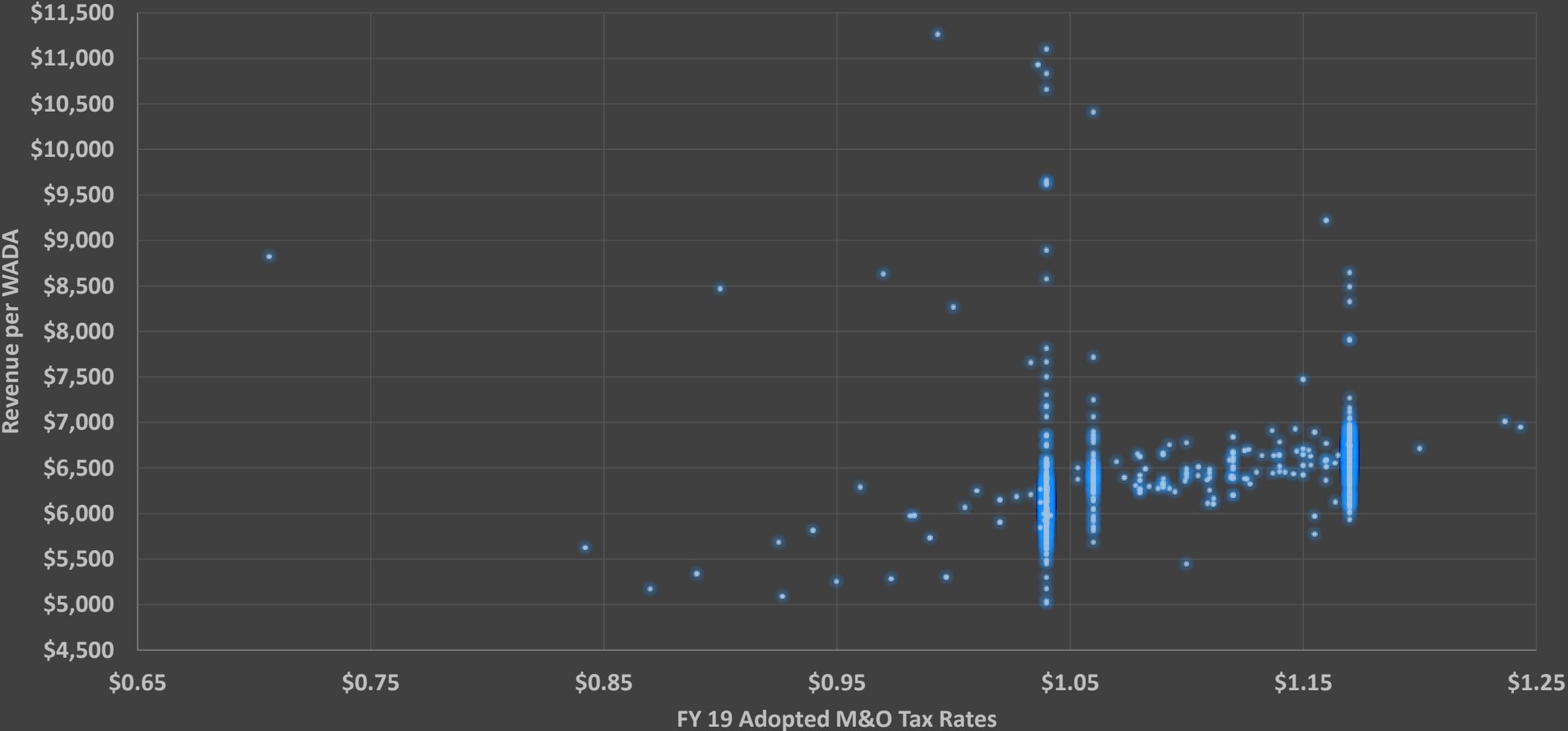
The Legislature shall provide a system of free public schools and shall do so by creating individual school districts.

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?

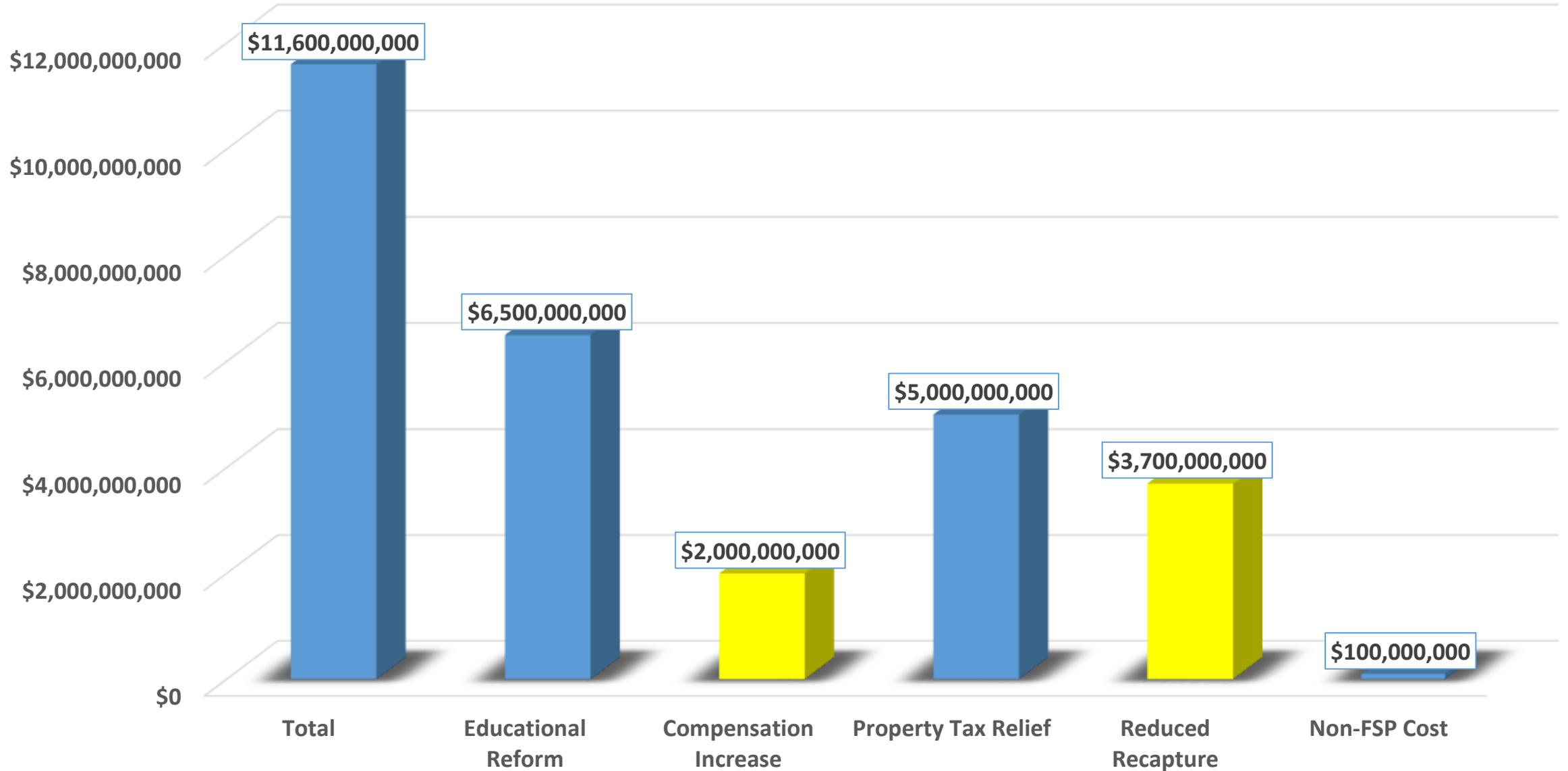
- 1,017 school districts
- 5.2 million students

- \$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**

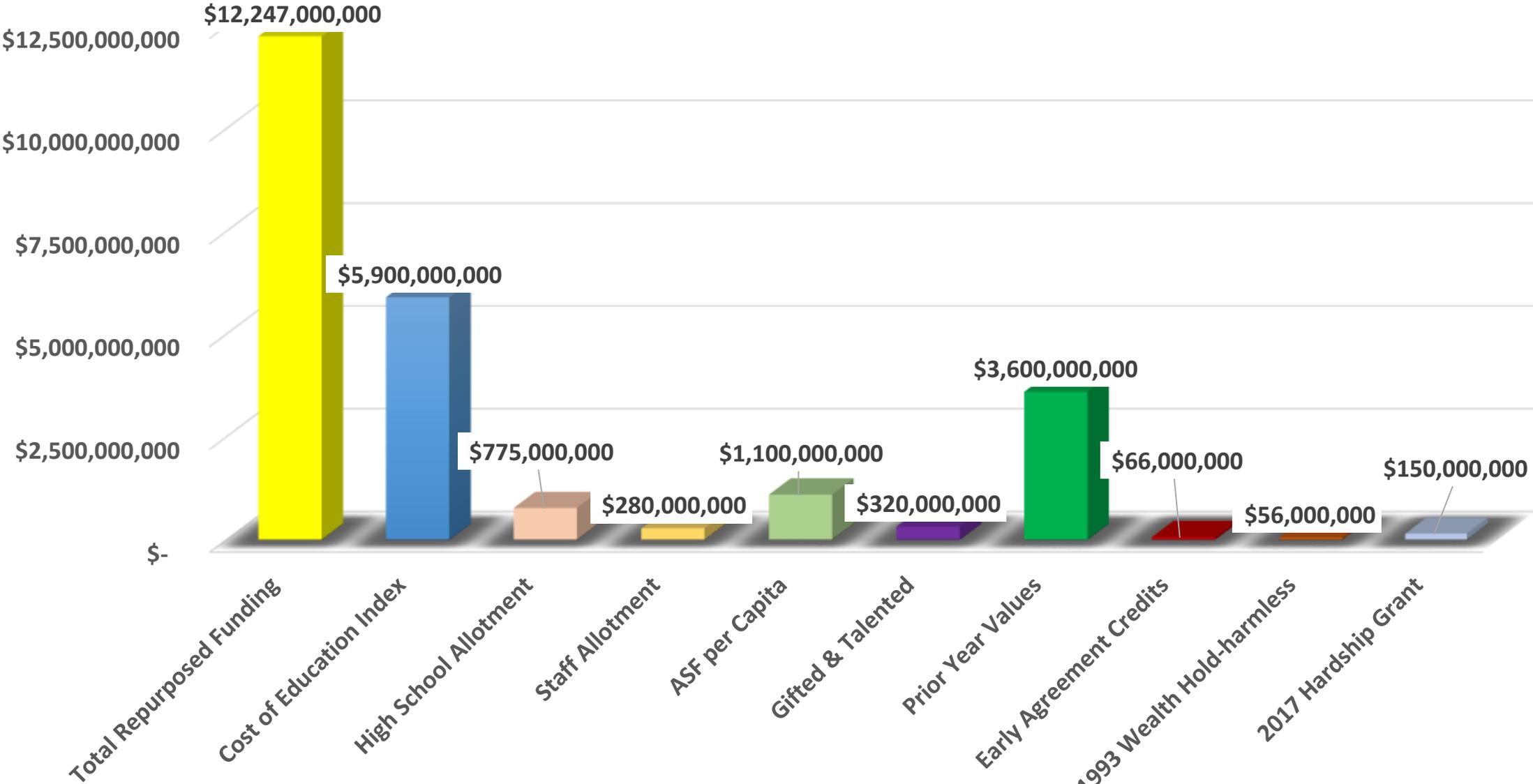
New Revenue for FY 20-21 – HB 3



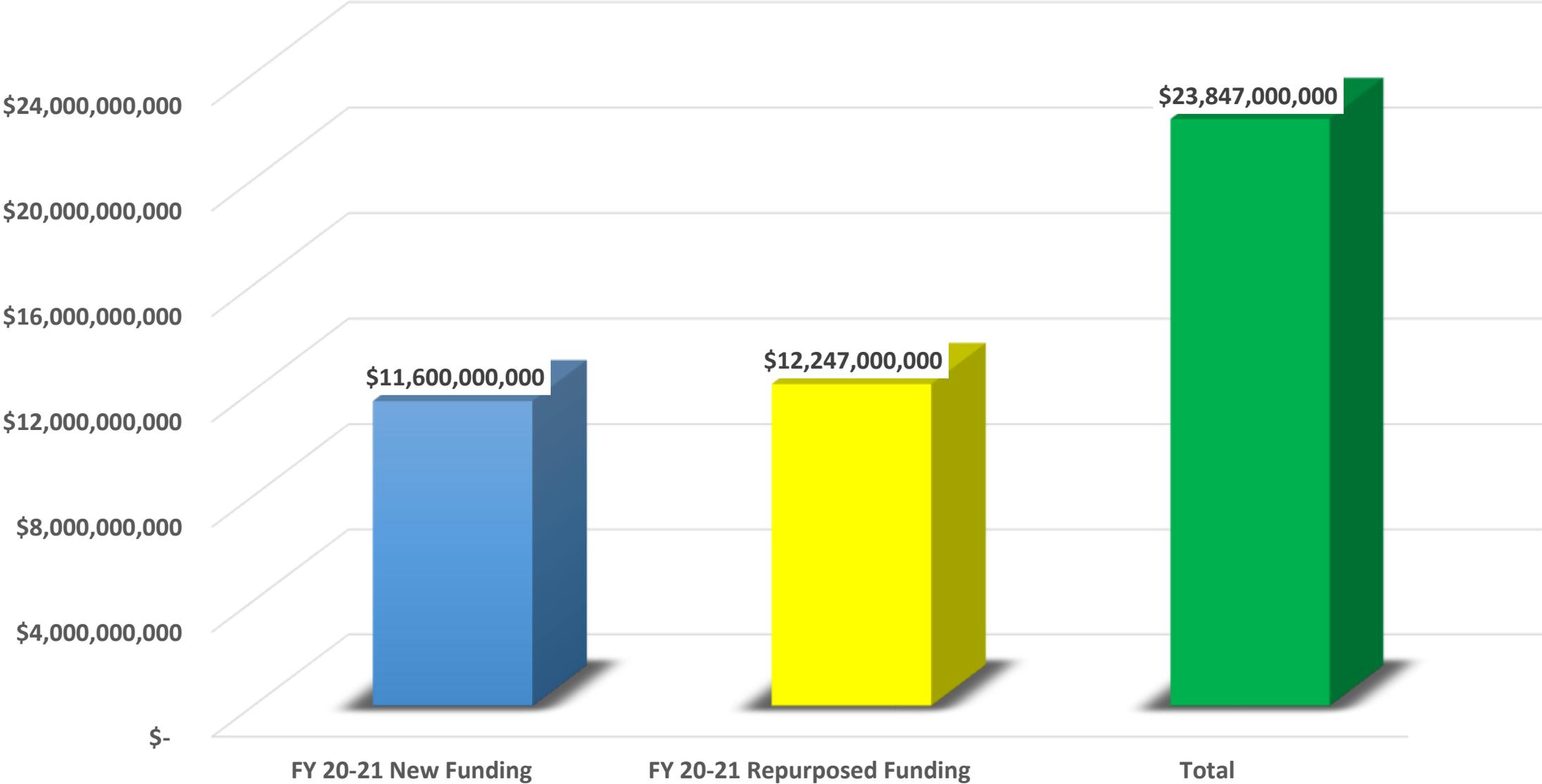
Educational Reforms / Repurposed Funds

- 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)

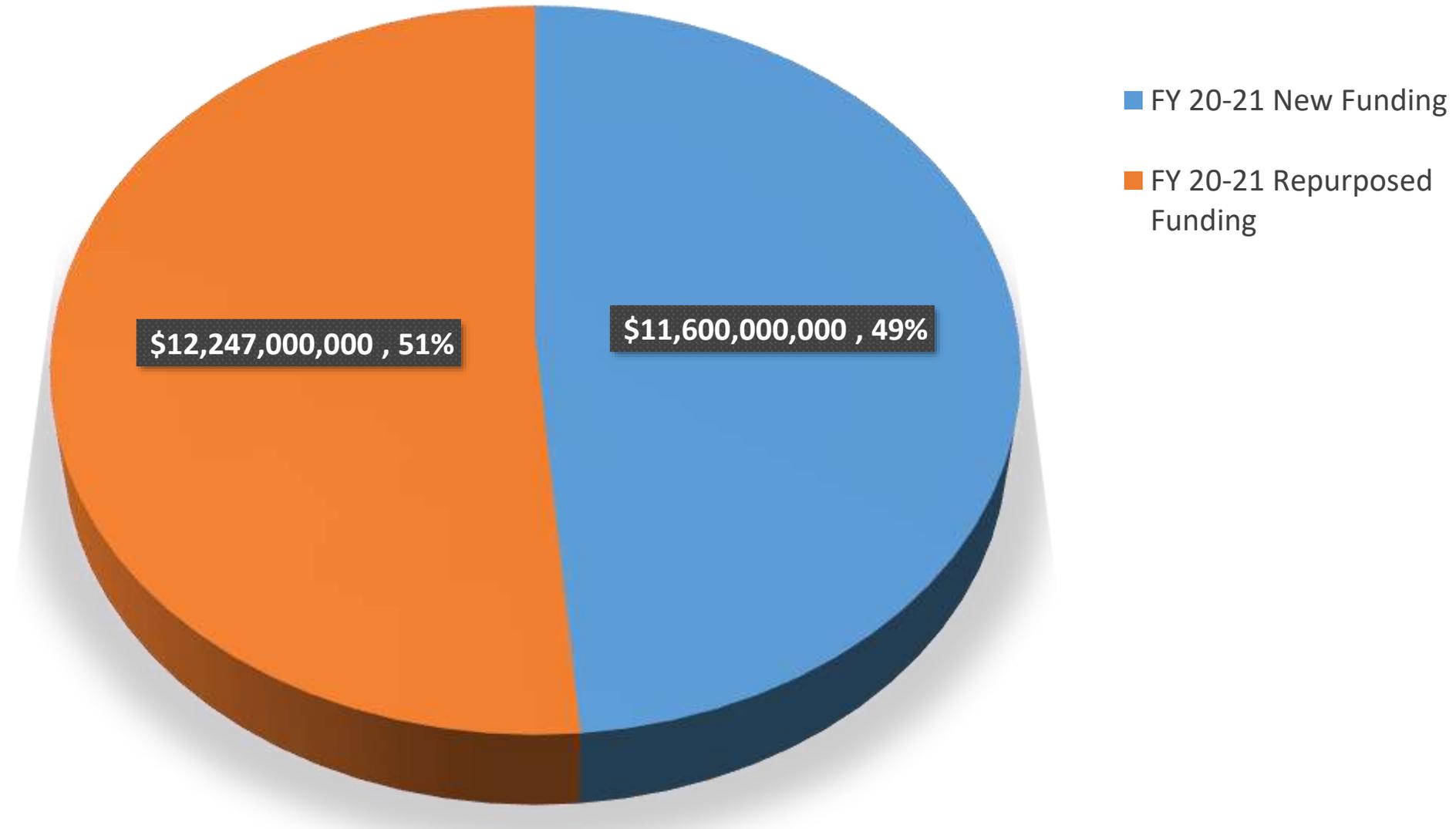
FY 20-21 Repurposed Funding -- HB 3



FY 20-21 New & Repurposed Funding



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



New Education Reforms / Expenditures

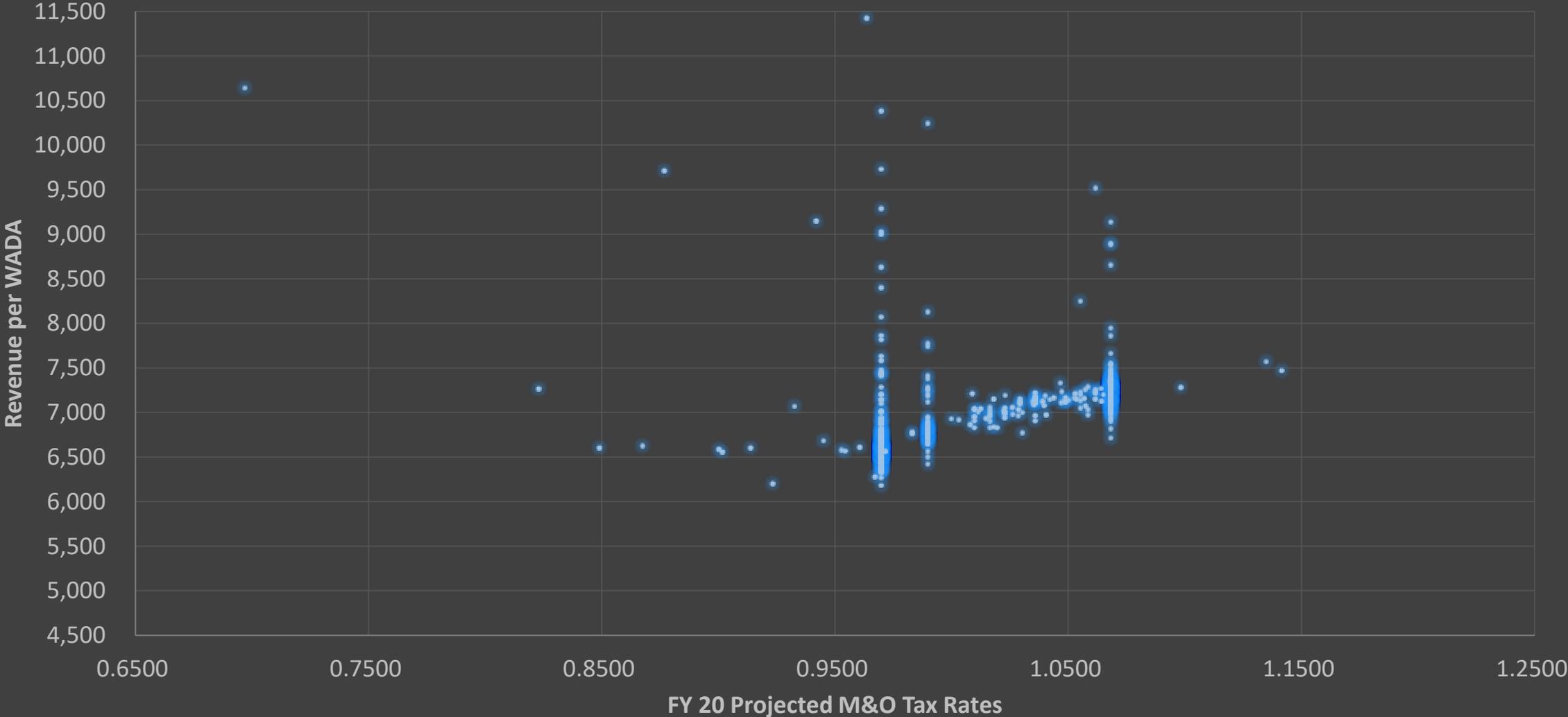
- Compensatory Education Allotment increase
- Bilingual Allotment increase
- Special Education Allotment increase
- Dyslexia Allotment increase
- Mentor Allotment
- Career and Technology Allotment expansion
- Fast Growth Allotment
- College, Career, and Military Readiness Outcomes Bonus
- K-3 Allotment

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)
 - Prior Year Compression Percentage x 1.025 / (1 + 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)

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

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

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

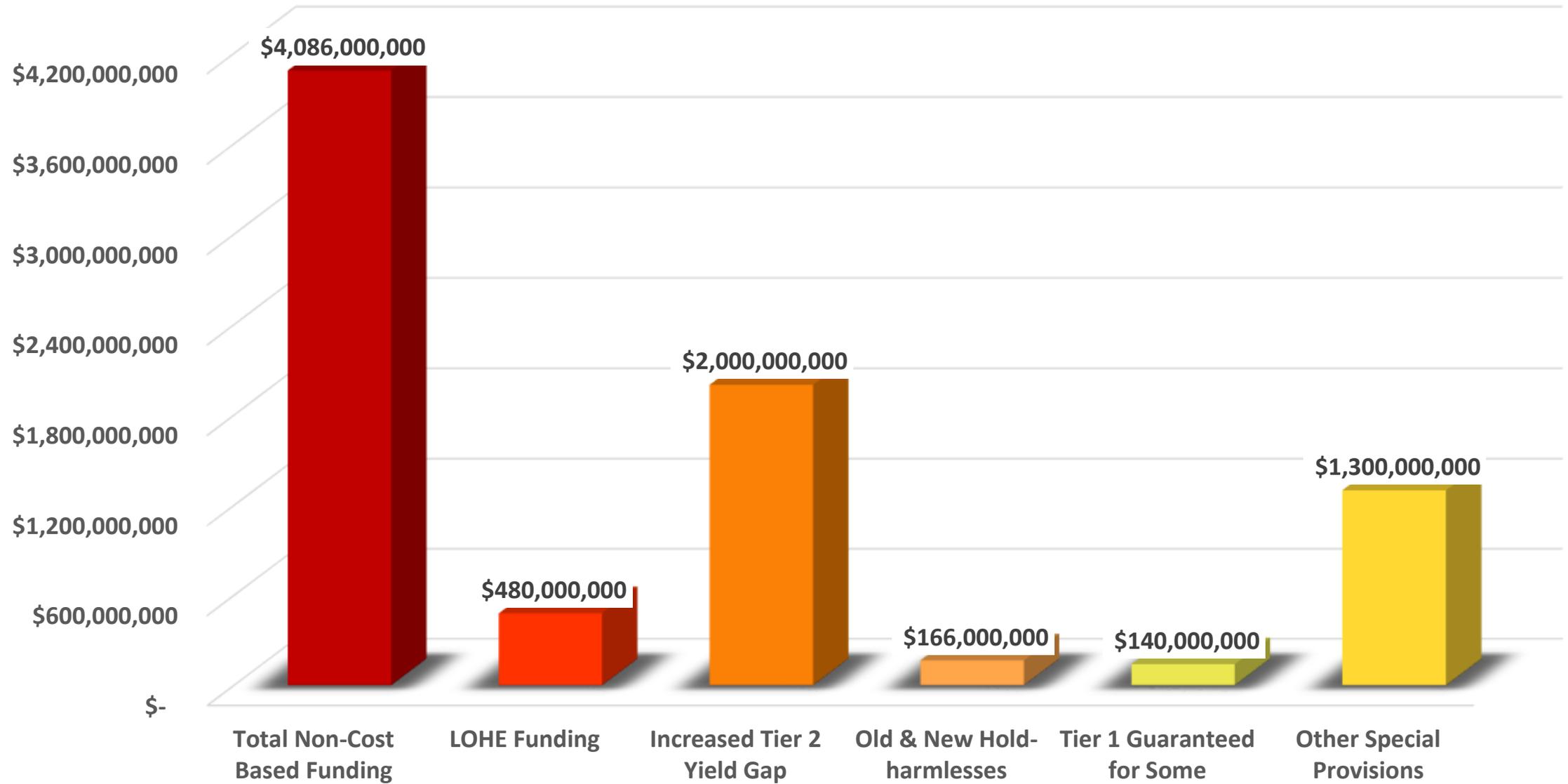
FY21 and Beyond Tax Rate Compression and Rollback Rate

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 - 5 cents – with unanimous board approval
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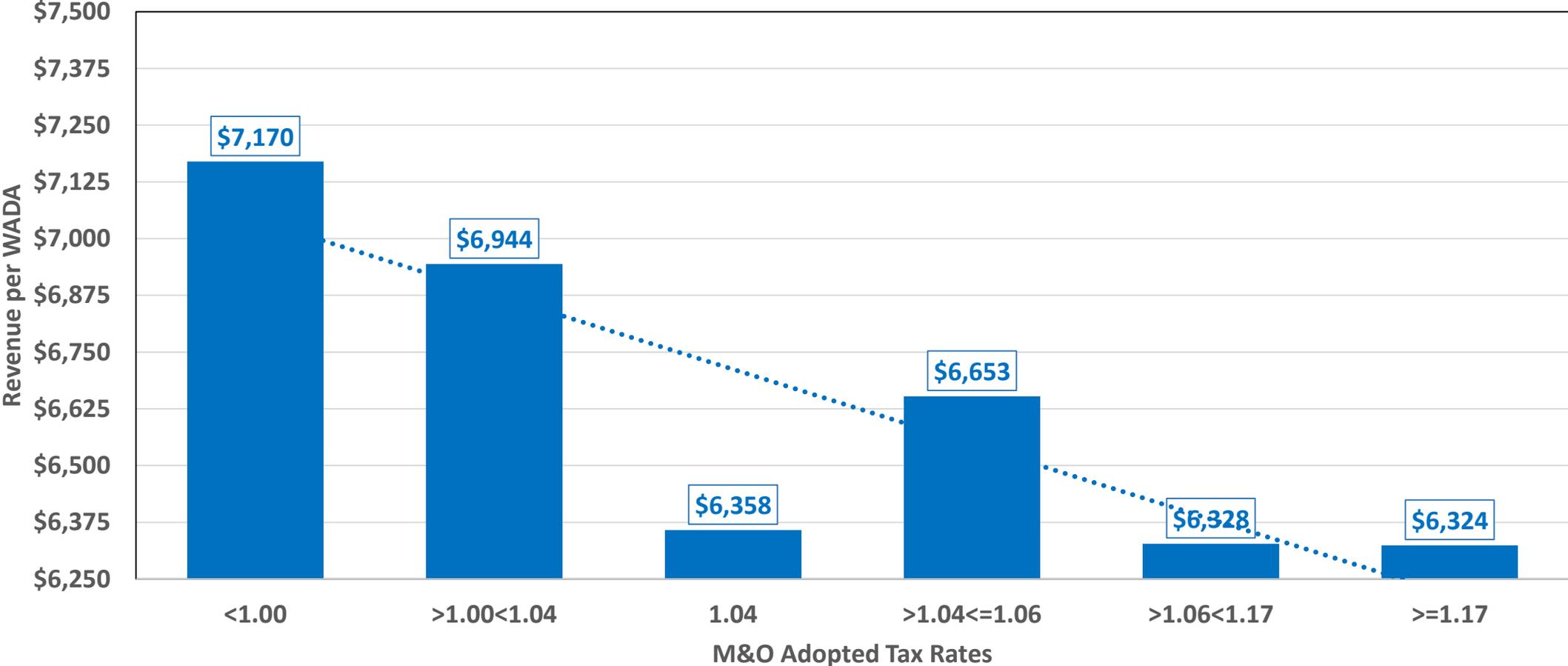
Other Concerns

- 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 harmless
- 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, 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.)

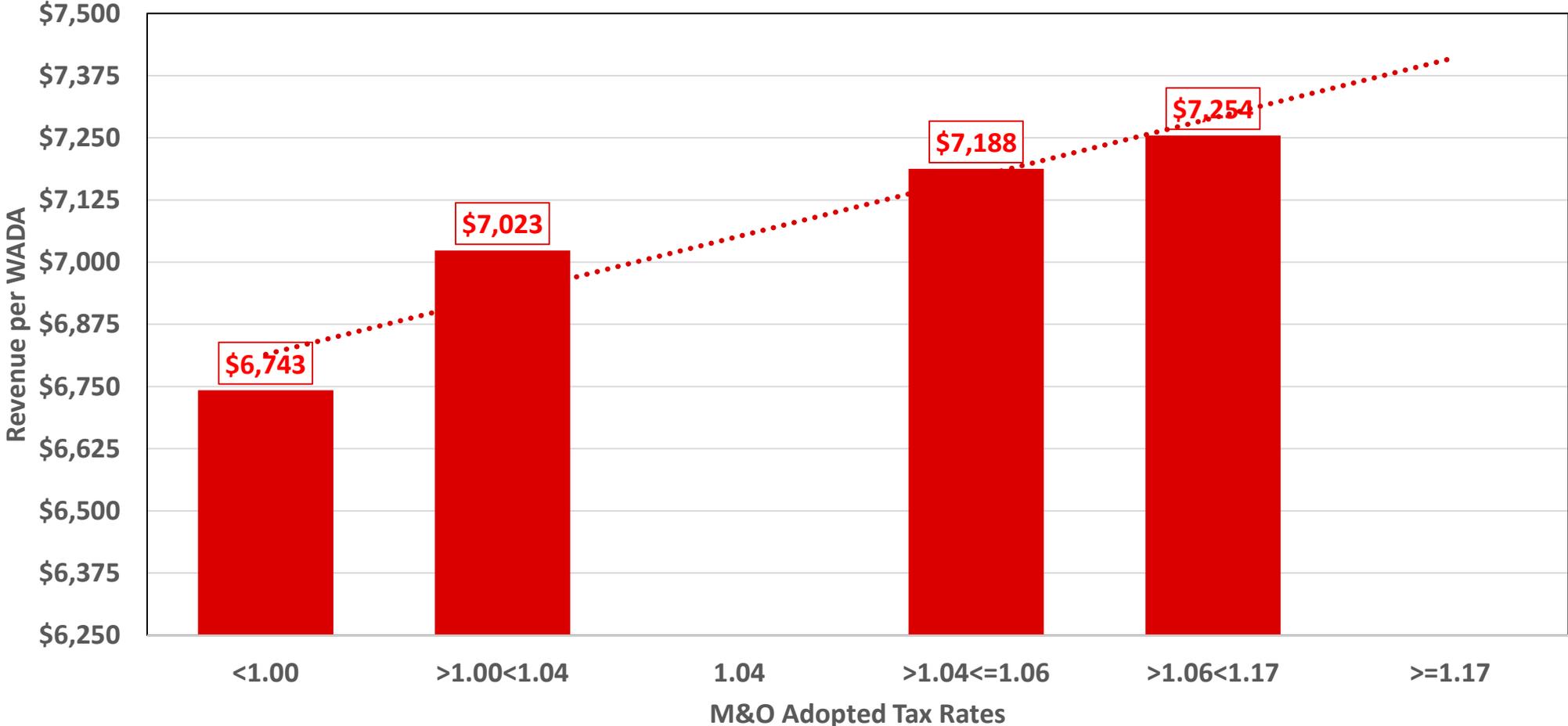
Eliminated the High School Allotment, rolling those funds into the Equalized Formula System, ensuring all districts are impacted equally ✓

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 ✓

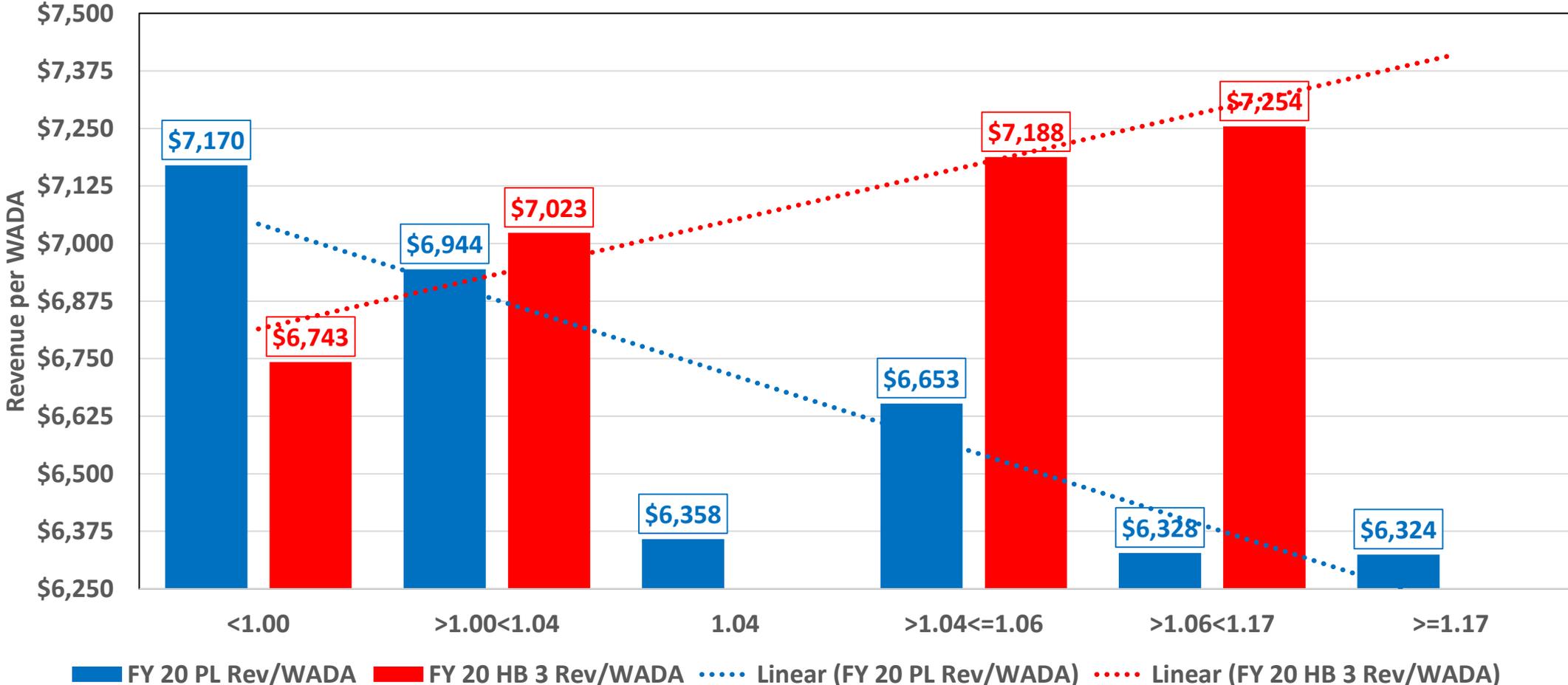
FY 20 HB 3 Rev/WADA



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	✓

HB 3 Correcting the Equity Trends -- FY 20



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

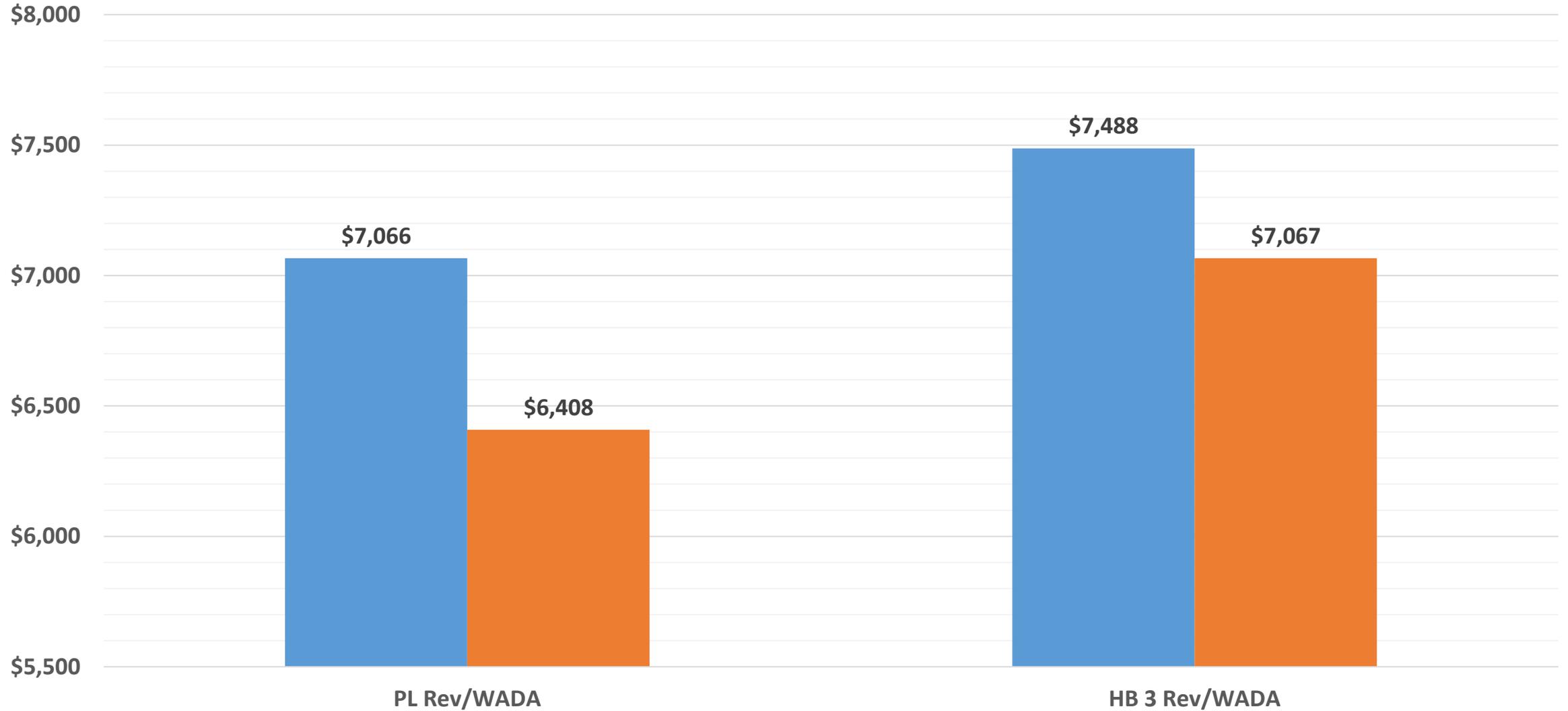


Forces all districts to tax at full New Compressed Rates before they can access any Tier 2 Golden or Copper Pennies



Prior Law/HB3 Average FY20 Revenue per WADA

■ Wealthiest 10% ■ Poorest 10%



What's Next?

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

- **Strengthen & Refine**

- **Cost Based**

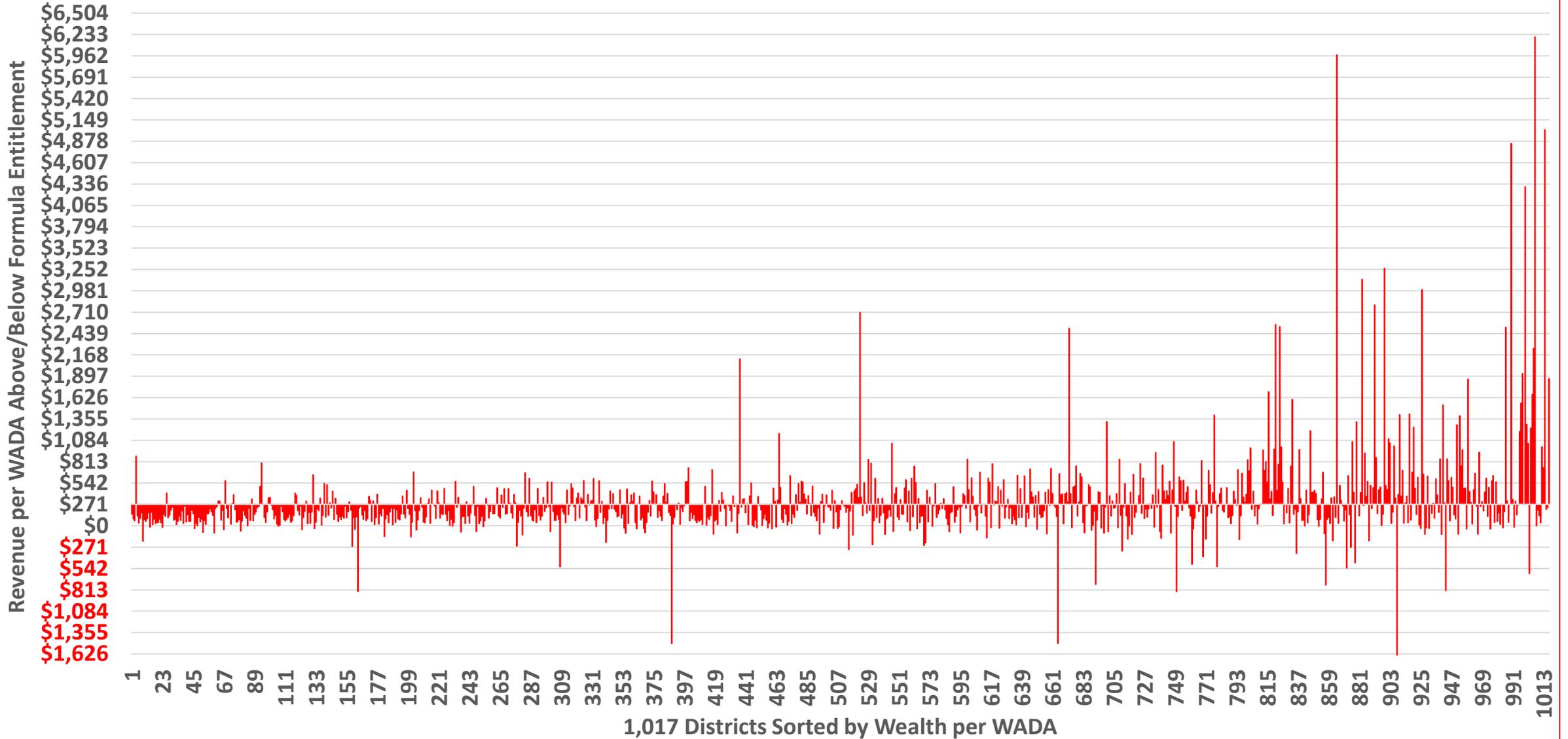
- Current Year Collections
- I&S/Facilities
 - EC study
- Student Cost Differentials (Small/Mid-sized, Geographic Variations, etc.)

- **Correct and/or Eliminate**

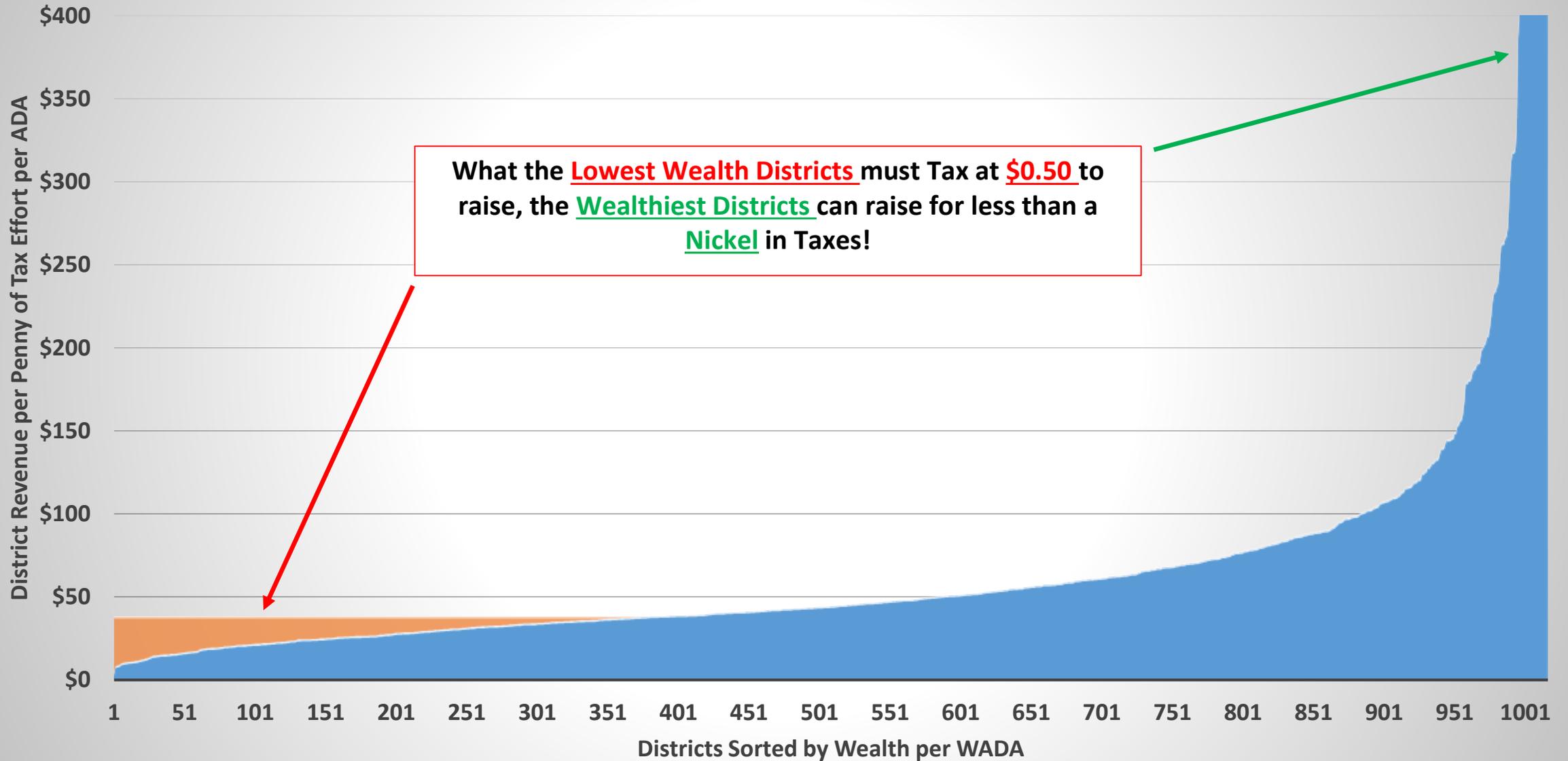
- **Non-Cost Based**

- 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

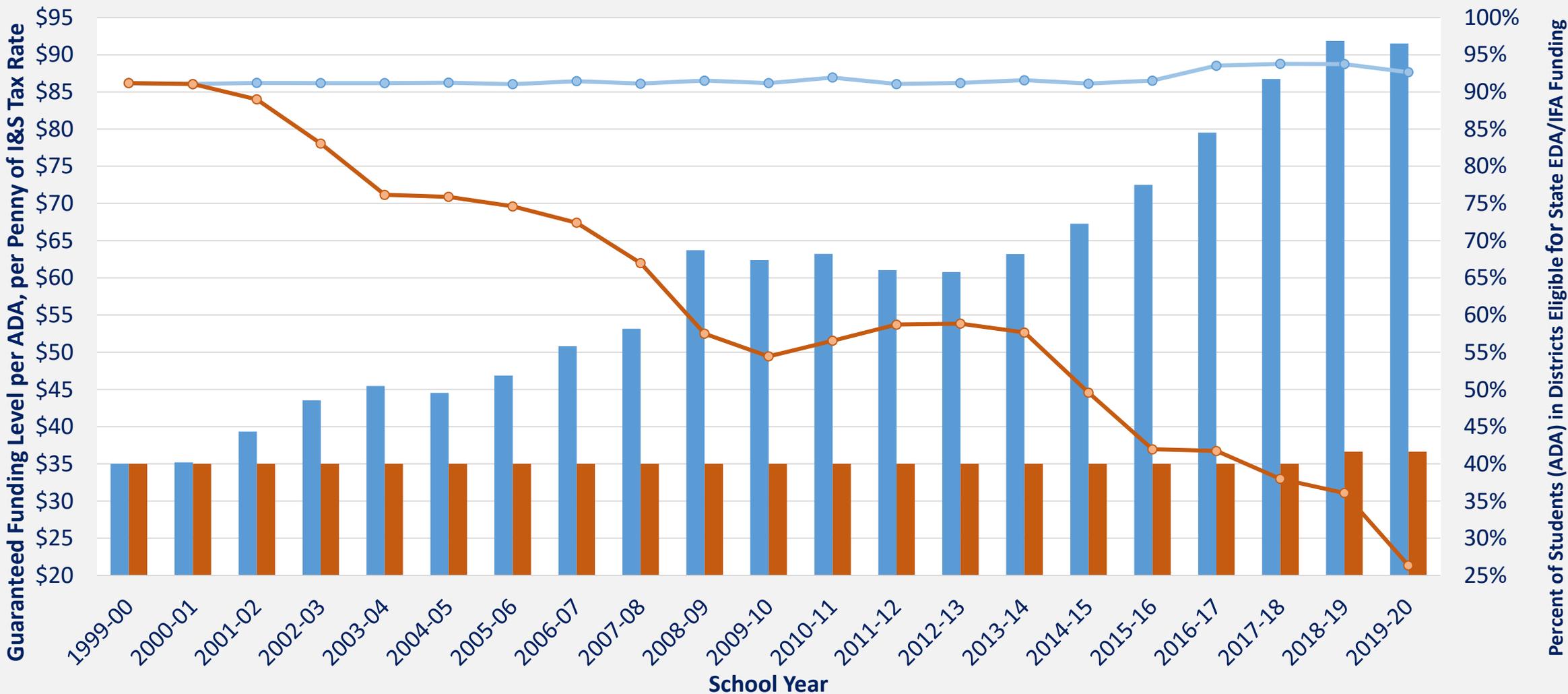


What the **Lowest Wealth Districts** must Tax at **\$0.50** to raise, the **Wealthiest Districts** can raise for less than a **Nickel** in Taxes!

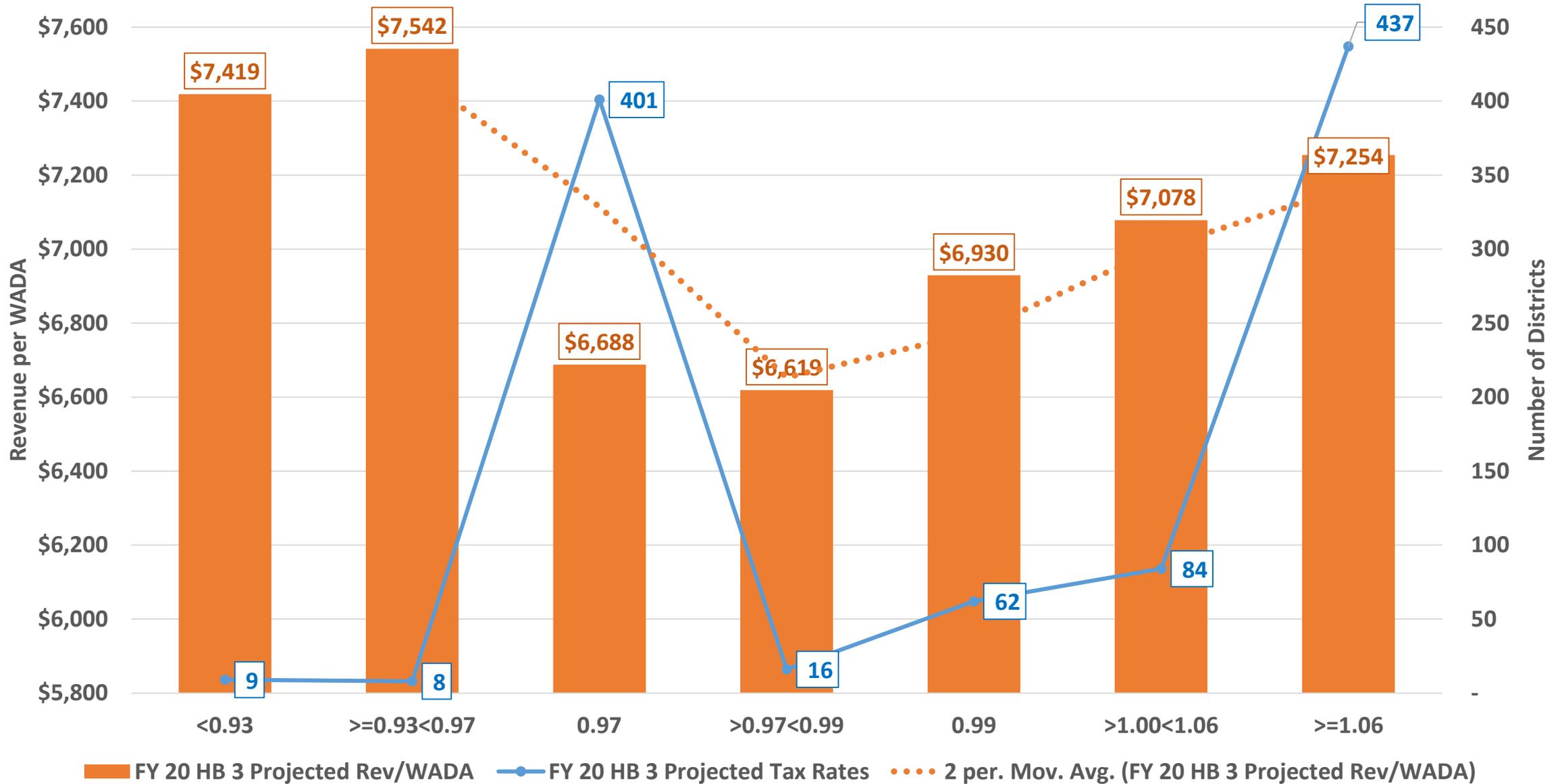
Comparison of EDA/IFA Funding Levels and Percent of ADA in Eligible Districts

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

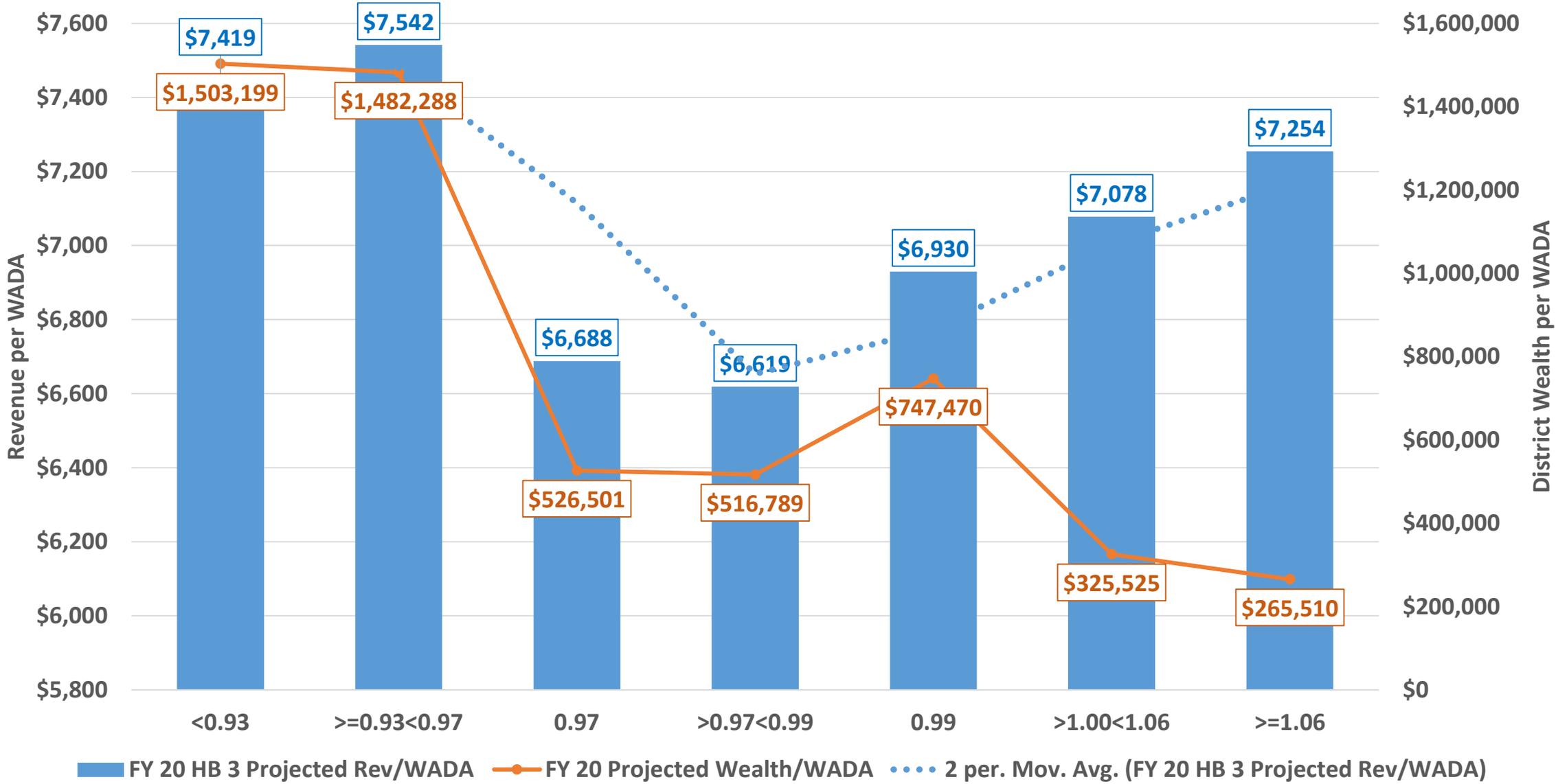
■ Guaranteed Level to Maintain Original Equity
 ■ \$35 Statutory Guaranteed Level
● % of ADA Eligible for State Funds (Original Equity)
 ● % of ADA Currently Eligible for State Funding



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

*Drop by booth #620

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.