



Equity Center

Students Matter. Taxpayers Matter. Equity Matters.



School Funding and the Future?

June 12, 2020
Equity Center
Presentation

THE TEXAS BUDGET

WHERE WE SPEND MONEY MATTERS

EQUITY CENTER 2020

THE BASICS

Budget is the only bill that is constitutionally required to pass

Constitutional Restrictions

Debt Limit

Welfare Spending limit

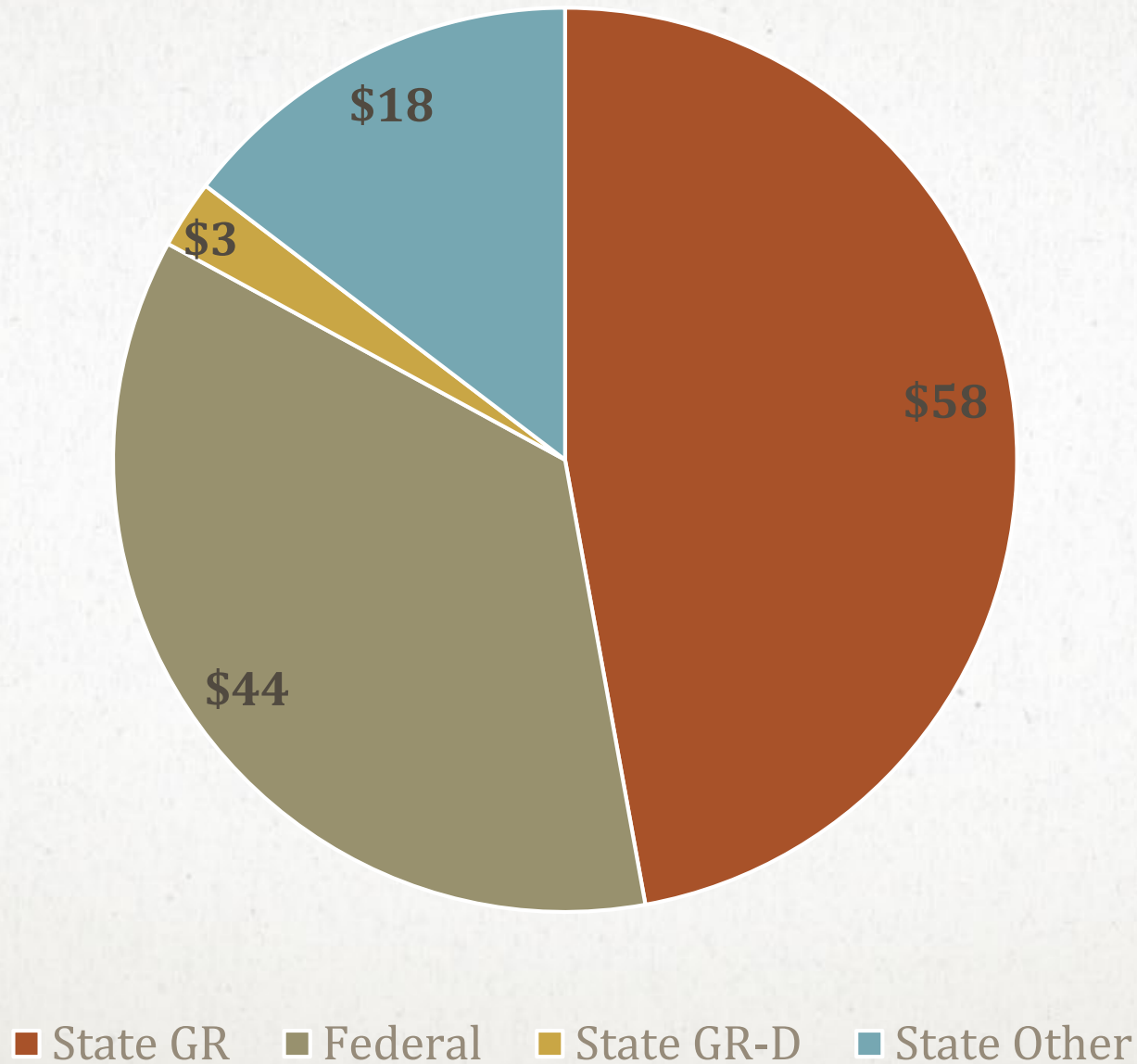
Pay-as-you-go limit

Limit on budget growth

All Funds Total State Appropriations 2021

In billions

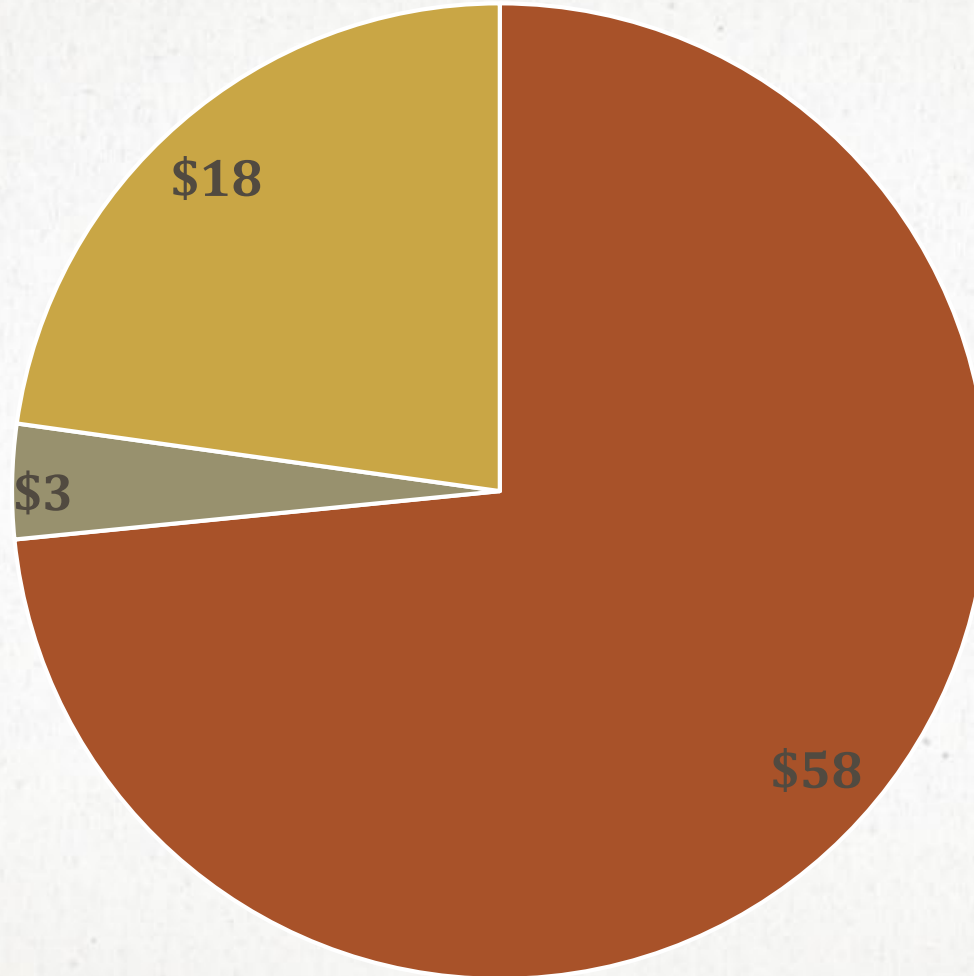
2021 Total:
\$123 Billion



All State Funds

In billions

2021 Total:
\$79 Billion



■ State GR ■ State GR-D ■ State Other

TEN ARTICLES:

Article I – General Government

Article II – Health and Human Services

Article III – Agencies of Education

Article IV – The Judiciary

Article V – Public Safety and Criminal Justice

Article VI – Natural Resources

Article VII – Business and Economic Development

Article VIII – Regulatory

Article IX – General Provisions

Article X – The Legislature

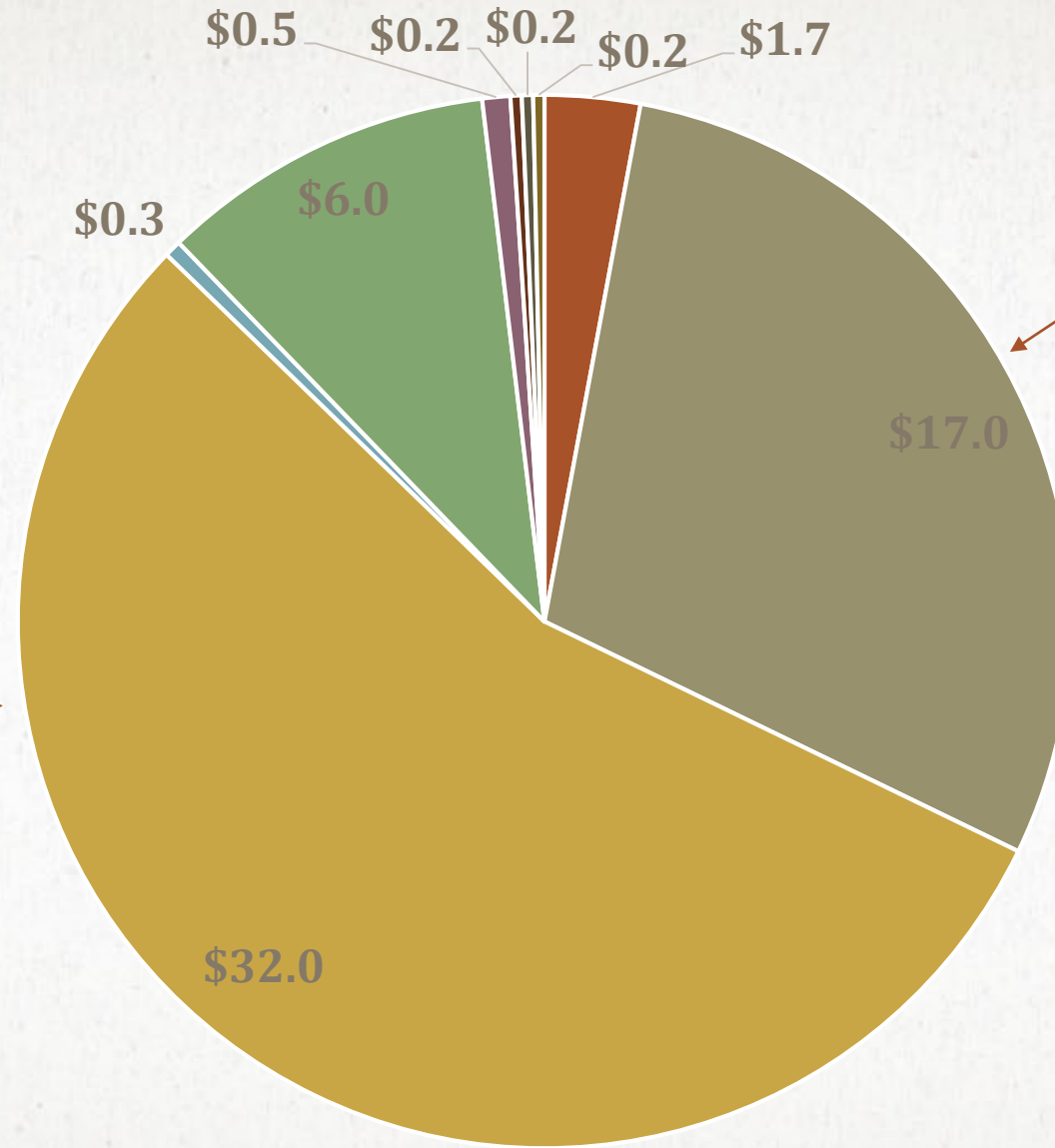
General Revenue by Article

Total General Revenue: \$58

Agencies of Education

Health and Human Services

Government HHS Education Judiciary Pub Safety Nat Res Eco Devo Reg Gen Prov Lege

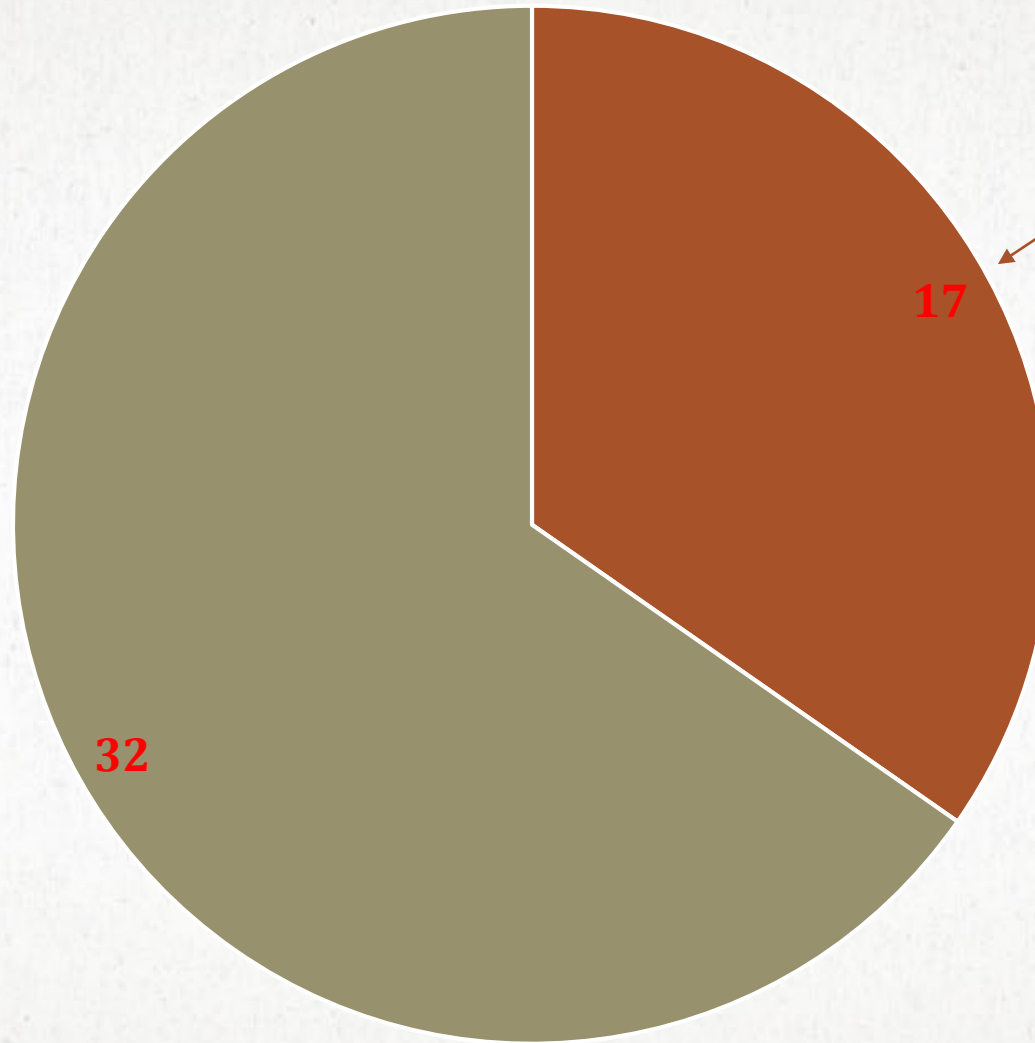


General Revenue by Article

Eliminating ALL GR
funding for every
other article frees
up **\$9.2 Billion**

Agencies of
Education

Health and
Human
Services



■ HHS ■ Education

TOTAL REVENUE

Fiscal 2018 Total State Tax Revenue by Source	
\$55.585 Billion	
All Funds Excluding Trust	
Sales Tax	57.50
Motor Vehicle Sales / Rental Taxes	8.90
Franchise Tax	6.60
Motor Fuel Taxes	6.60
Oil Production Tax	6.10
Insurance Taxes	4.50
Natural Gas Production Tax	2.60
Cigarette and Tobacco Taxes	2.40
Alcoholic Beverages Taxes	2.30
Hotel Occupancy Tax	1.10
Utility Taxes	0.80
Other Taxes	0.60

REVENUE								
Tax Collections by Major Tax								Percent change
	December	January	February	March	April	May		Current vs.
	2019	2020	2020	2020	2020	2020	Total	Last Year
Sales Taxes	3,003,593	3,038,610	2,853,703	2,650,851	2,544,718	2,568,640	25,376,915	7.25%
Percentage Change	4.87%	7.80%	2.48%	1.70%	-10.21%	-14.31%		
Motor Vehicle Sales and Rental Taxes	423,690	467,255	424,722	384,795	161,696	263,926	3,457,920	-3.47%
Percentage Change	7.92%	10.80%	1.98%	-2.65%	-44.88%	-38.14%		
Motor Fuel Taxes	70,684	85,816	74,498	72,317	69,113	13,558	650,562	-13.56%
Percentage Change	-17.83%	15.10%	-1.45%	9.12%	-38.73%	-82.98%		
Franchise Tax	-135,061	-18,847	24,113	160,252	222,337	652,806	900,973	-76.82%
Percentage Change	-35.86%	51.96%	16.93%	-11.13%	-47.68%	-81.17%		
Oil Production Tax	362,505	395,707	371,841	305,524	190,614	90,253	2,741,333	-4.00%
Percentage Change	18.31%	44.15%	38.46%	10.52%	-44.63%	-75.43%		
Total Tax Collections	4,100,759	4,443,910	5,196,844	4,260,990	3,458,907	3,737,555	37,800,699	-5.58%
Percentage Change	6.10%	9.50%	8.52%	-4.59%	-22.24%	-51.83%		

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COMPTROLLER'S REVENUE ESTIMATE

- **\$53 billion in Total Tax Collections**
 - Assuming 6% decline in collections = \$3.2 billion shortfall
 - Assuming 10% decline = \$5.3 billion shortfall
-

CONTEXT: PRIOR BUDGET DEFICITS

2003

- \$10 Billion projected deficit
- Total state spending cut by \$3.2 billion
- State expenditures on Pub Ed decreased by \$1 billion while over all appropriations for Pub Ed increased by nearly \$2 billion

2011

- \$11 to \$27 Billion projected deficit
 - \$5.4 billion Pub Ed reduction
-

PREPARING FOR THE 2022-23 STATE BUDGET

- Legislative Appropriations Requests -- Waiting on instructions from Governor and LBB
 - Governor, Lt. Governor, and Speaker letter to agencies
 - Agencies are required to develop a plan that identifies a five percent reduction in their current biennium General Revenue appropriations
 - Foundation School Program and School Safety appropriations are exempted
 - TEA has a biennial operating budget of \$145 million. 5% = \$7,250,000
 - No interim hearings
 - Impact of Federal Dollars
 - ESSER supplanted approximately \$1.2 billion of state funds
-

WHERE WE SPEND SCARCE STATE TAX DOLLARS MATTERS

Expenditure	Annual Cost
Guaranteed LOHE to fulfill Tier I	\$246 Million
Formula Transition Grant	\$423 Million
Equalized Wealth Transition Grant	\$27 Million

Tax Exemptions	2019
Total	\$34 Billion



Equity Center

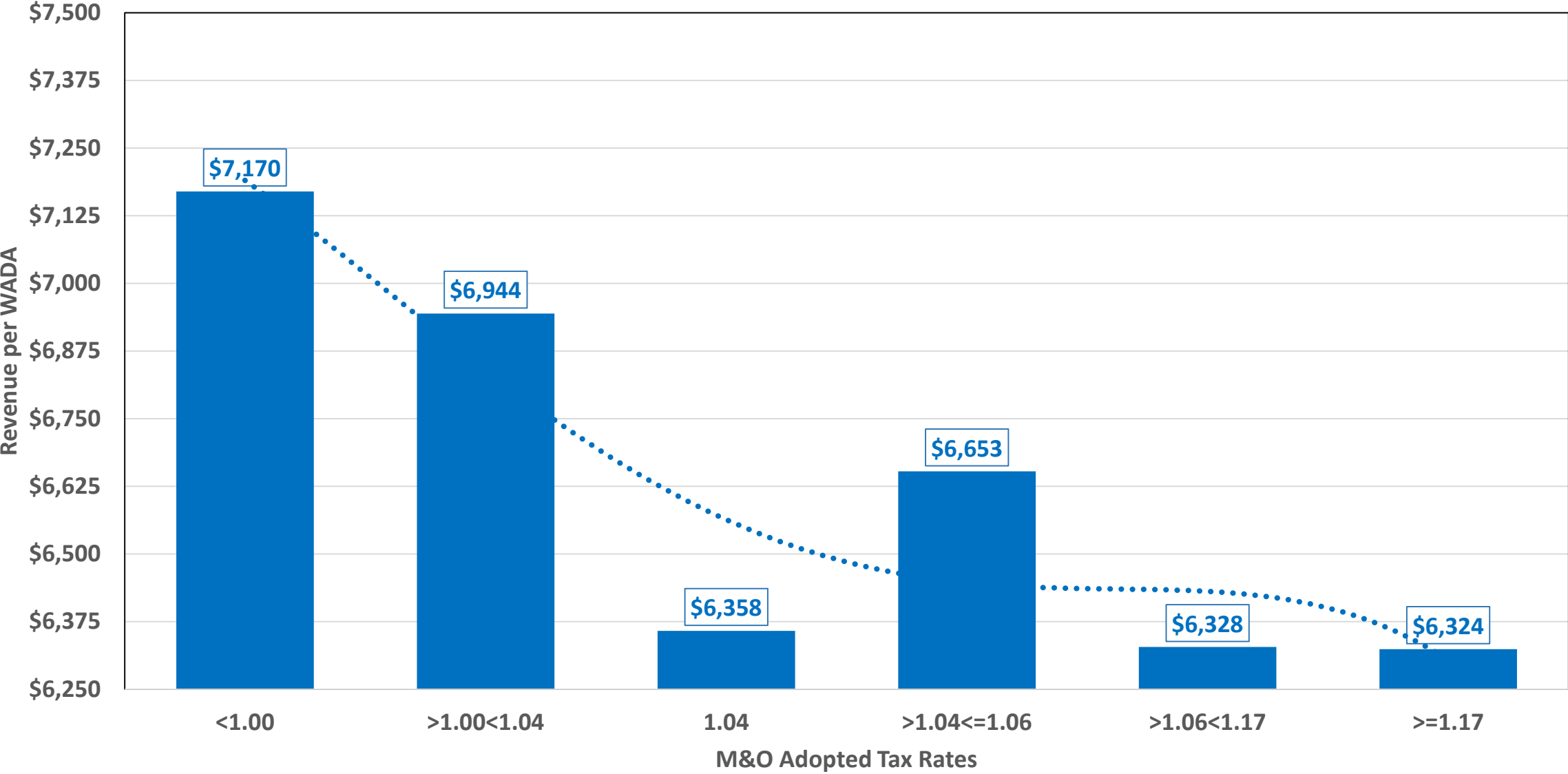
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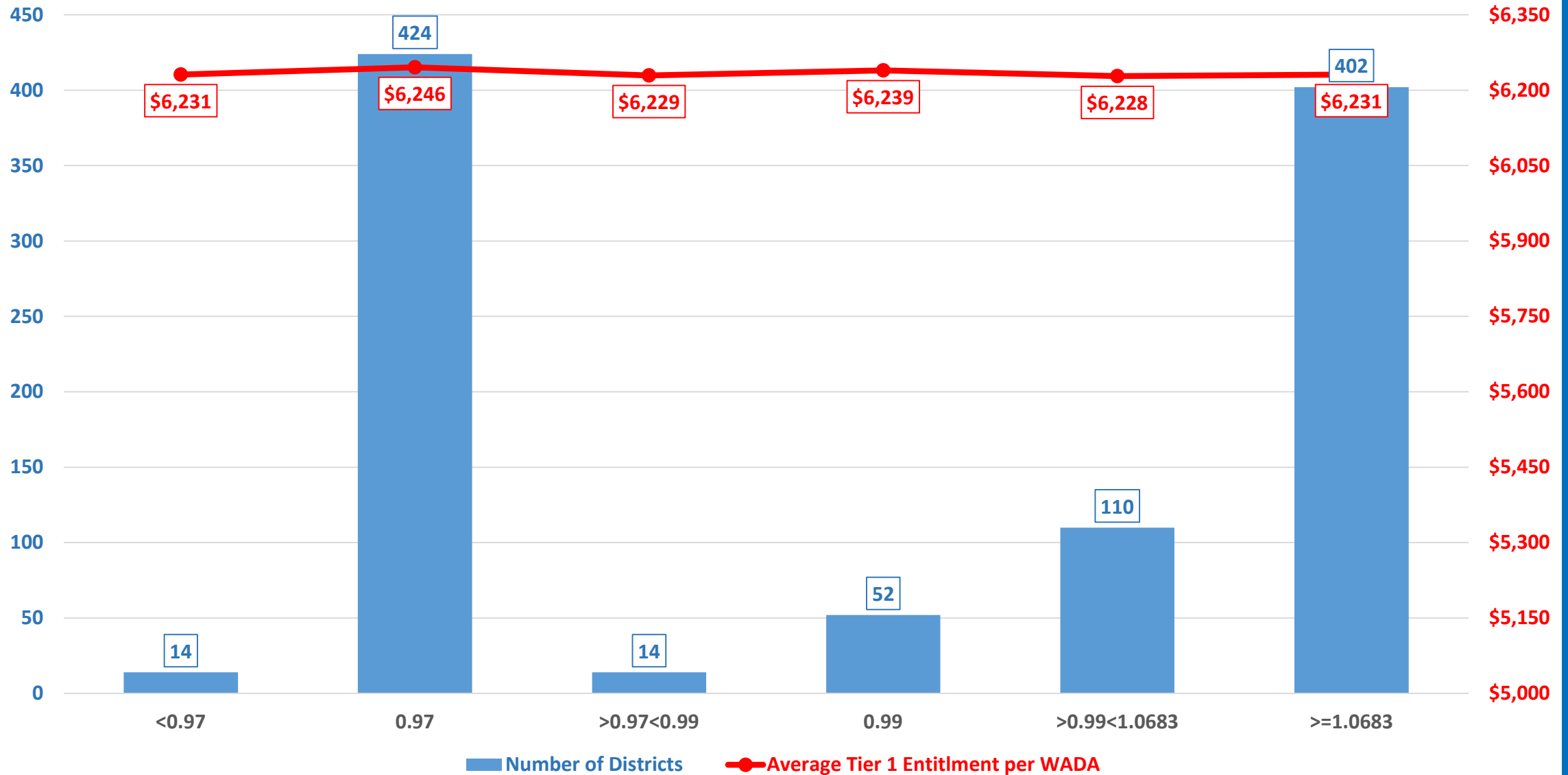
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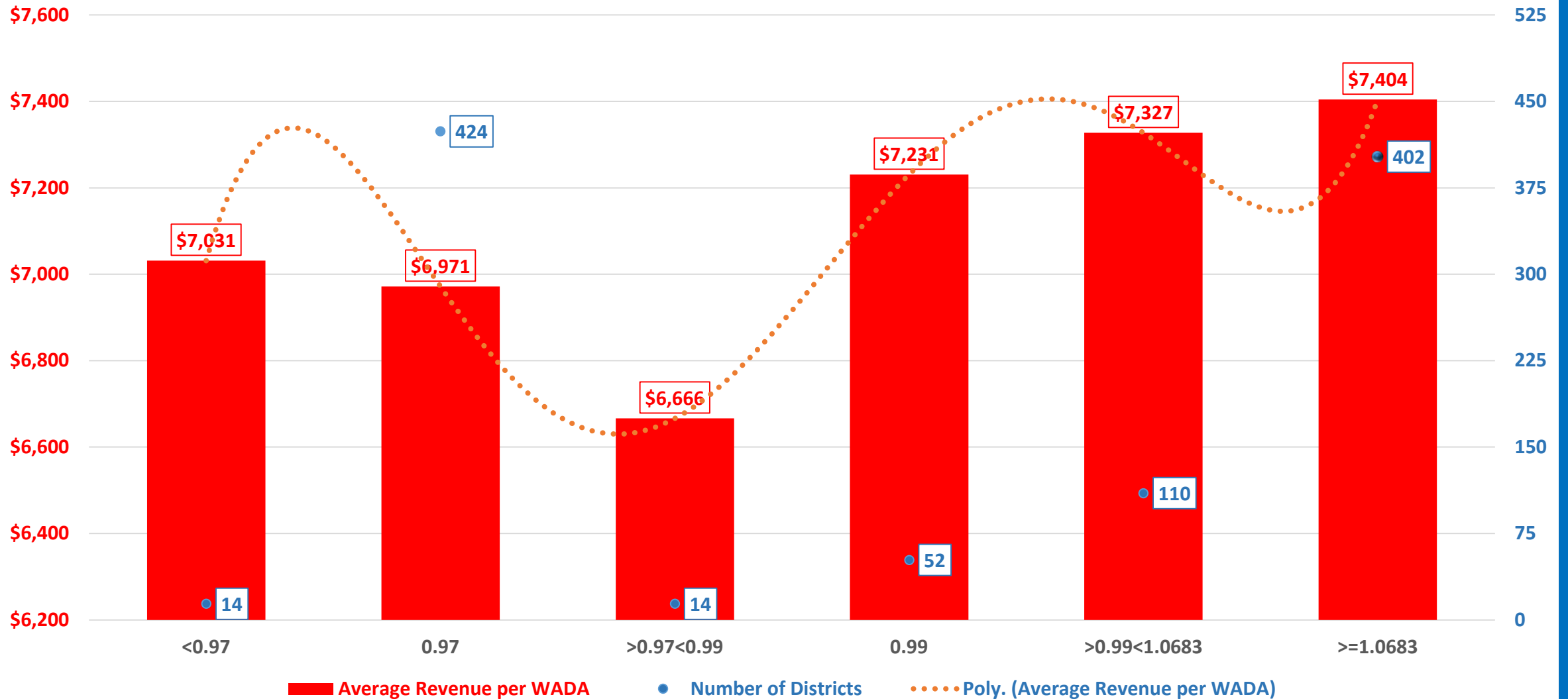
FY 20 Prior Law (PL) Rev/WADA



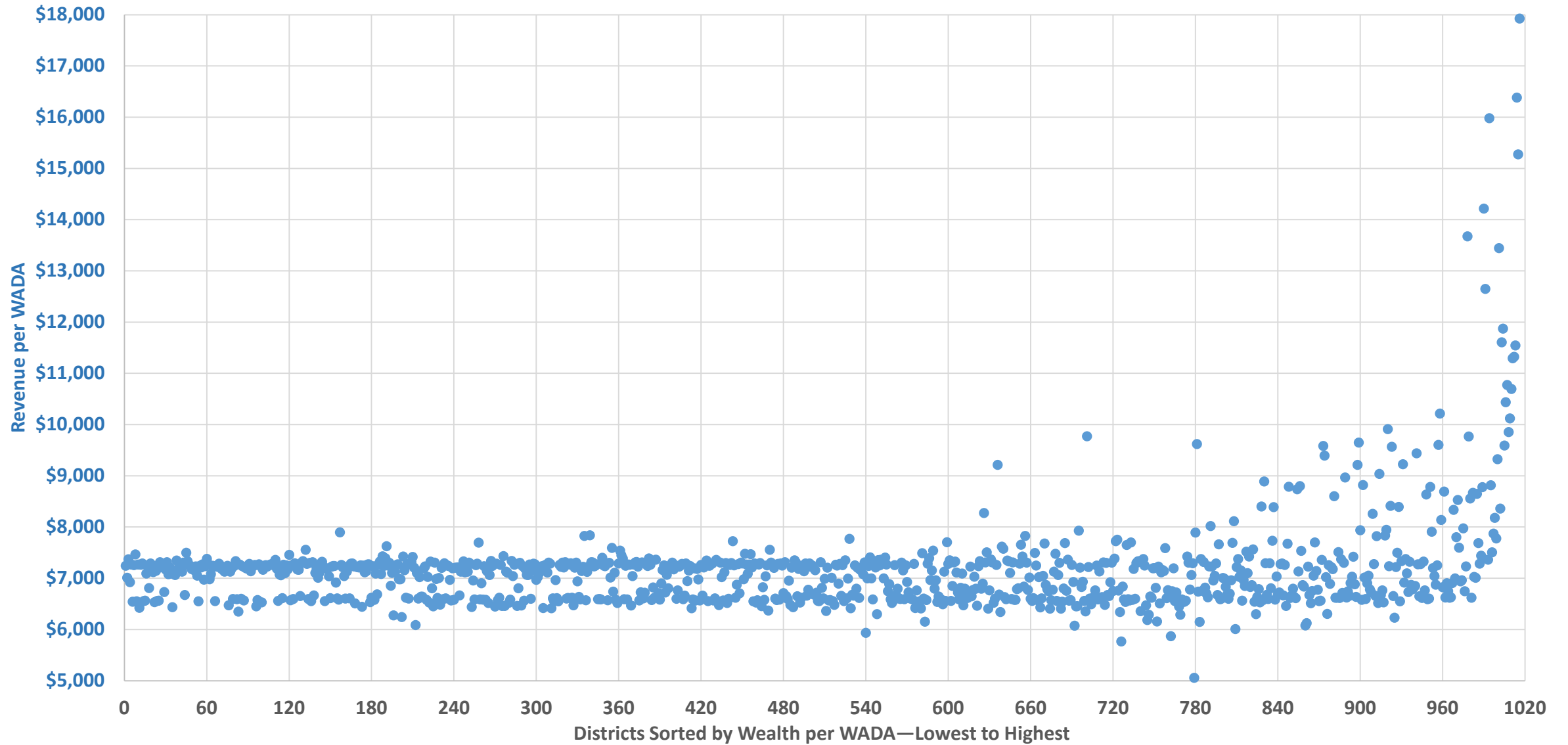
FY 20 Current Law Tier 1 Entitlement



FY 20 Current Law M&O Funding Grouped by Adopted M&O Tax Rates



FY 20 Current Law M&O Funding--Sorted by Wealth per WADA



Remaining Causes of Variations in M&O Funding

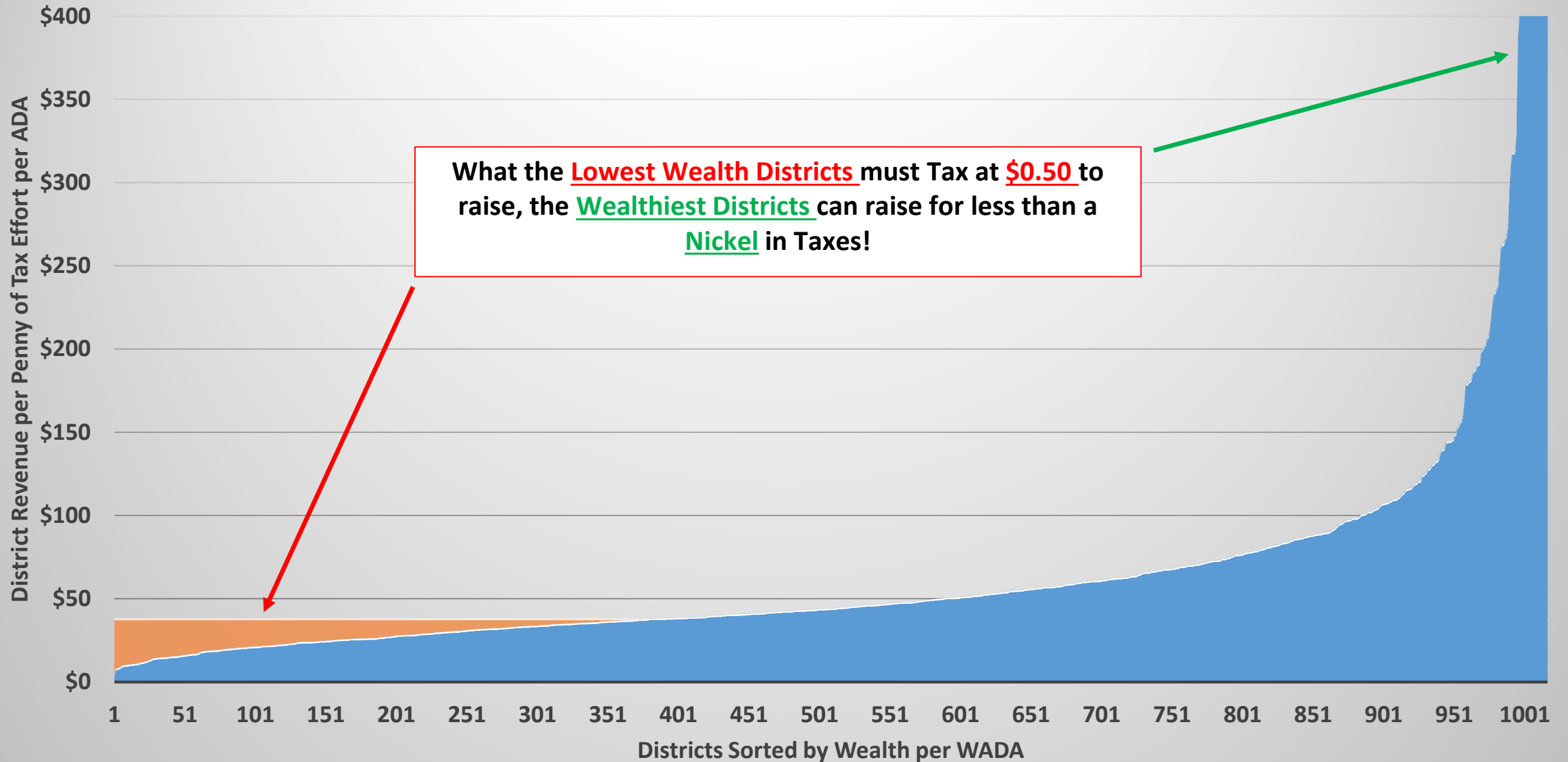
Funding Above Formula Entitlement?

- Tier 1 Guaranteed Entitlement Funding for “Excess to Entitlement Districts” (including LOHE Interpretation)
- Formula Transition Grant (Both Sections)
- Equalized Wealth Transition Grant
- Tier 2 “8” Unequalized Pennies
- 10% Allowable Difference in Tier 1 Adopted Tax Rate

Funding Below Formula Entitlement?

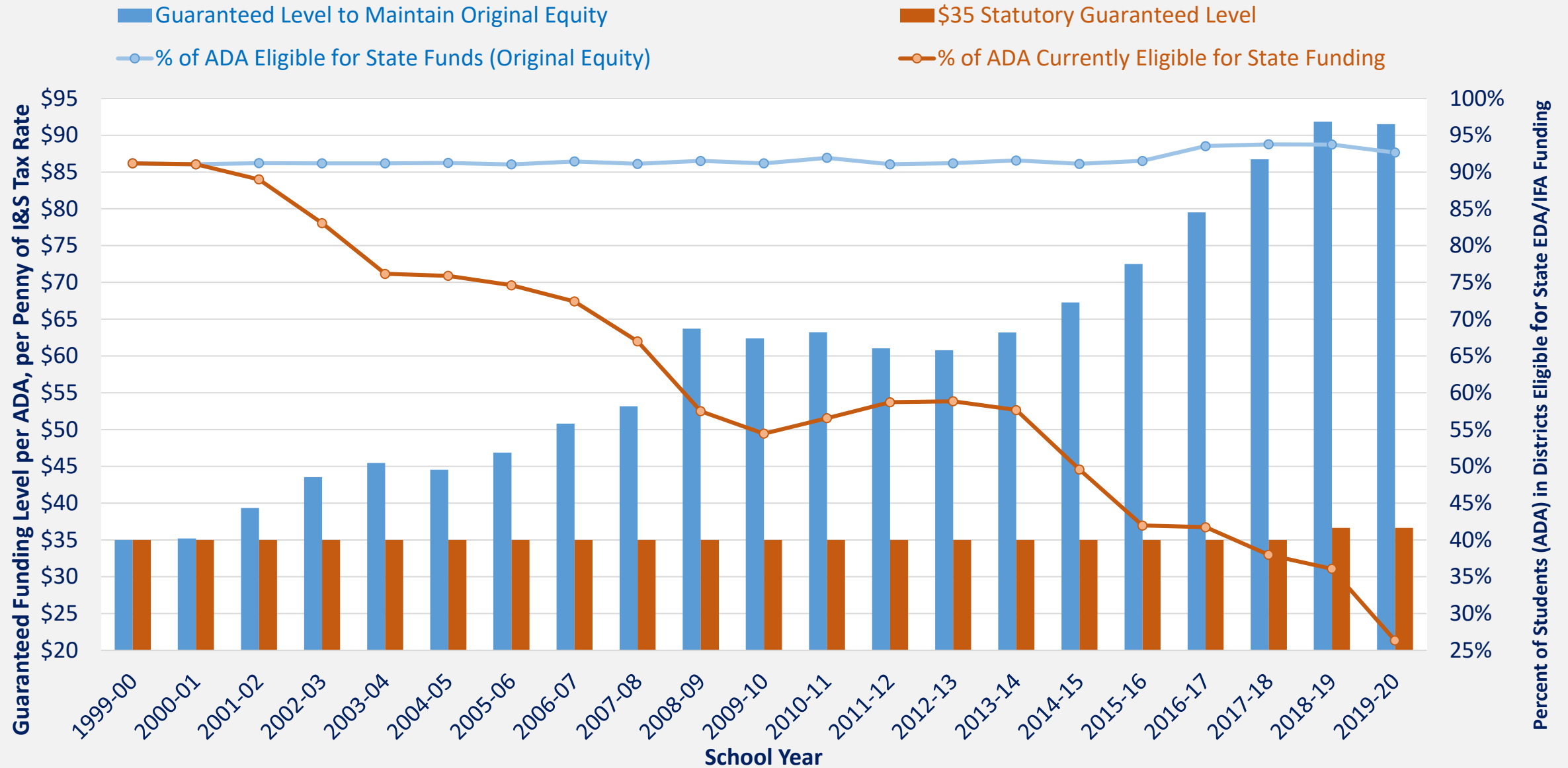
- Failure to Base Formula on Current Year Collections (including failure to treat LOHEs equally for all districts)
- Gap between T2 Values and CAD Taxable Value

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



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 Funding
- Student Cost Differentials (Small/Mid-sized, Geographic Variations, etc., Fast Growth)

- **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—Fund it for all not just wealthy
- Tier 2 Yield Gaps
- Formula Transition Grants (Both Sections)
- Equalized Wealth Transition Grant