

InDepth

Understanding Texas School Finance



Legislative Priorities... by Josh Sanderson

The 89th meeting of the Texas Legislature begins on January 14th, 2025.

Equity Center Legislative Priorities

Basic Allotment

The Basic Allotment (BA) being stagnant since 2019 is the root cause of the financial problems school districts are facing. Historically, the legislature has allowed the BA to remain unchanged for four-year periods, however, **by the time the upcoming legislative session ends, the BA will have remained at \$6,160 for six years.**

If the Basic Allotment had been adjusted for inflation alone, it would need to be nearly \$7,500 for the 2024-25 school year just to maintain the buying power of the BA since the last increase in 2019. Every \$100 increase in the BA costs \$740 million per year, \$1.48 billion per biennium. It is time for a substantial increase to the Basic Allotment.

*It needs to be noted that in a year the Basic Allotment increases, the guaranteed yield of tier II level II copper pennies increases. However, this does not result in additional tier II level II revenue, as the copper penny rate *must be compressed* to a rate that generates the same revenue per weighted student as the prior year. More importantly, in a year where the copper penny yield increases, M&O tax rates are frozen. If your district is contemplating a VATRE, you should take into consideration that the Basic Allotment may increase for the next school year which would trigger this rate freeze.

Small and Mid-Sized Allotment

TEA has reported to the legislature that on average, small and mid-size districts pay educators \$10,000 less than larger urban and suburban districts. In order to allow smaller ISDs to compete for high quality educators, the Small and Mid-Sized Allotment should be increased, perhaps as much as double the current weights, which would cost approximately \$1.26 billion per year.

School Safety

House Bill 3 passed by the 2023 legislature increased School Safety Allotment funding by approximately \$130 million per year, and was a significant improvement in funding school safety operations. However, the funding amount still falls far short of school safety expenditures.

According to PEIMS data, statewide, school districts spent \$978,293,882 on security in the 2023-24 school year. This leaves \$794,884,672 in security expenditures that were not covered by the School Safety Allotment. The Equity Center's message to the legislature during the 2023 legislative session was that state funding for **the School Safety Allotment should cover all safety expenditures**, and be approximately \$1 billion per year. This will continue to be our request of the legislature.

(continued on page 2)



Priorities... continued

Special Education

The Texas Commission on Special Education Funding found that **state funding for special education services is between \$1.7 to \$2 billion short of what school districts spend** on special education. The first step toward revising special education programs is to fully fund current expenditures. House Bill 1 from the 4th called special session in 2023 proposed to dramatically change the Special Education Allotment and how services are funded, and we fully expect this effort to continue during the 89th legislative session. Aside from any potential reforms, the first action the legislature must take in regards to special education is to fully fund current services.

Enrollment-based Funding

There has been a lot of discussion about the need to move from attendance-based funding to enrollment-based funding, because it is entirely logical. House Bill 1 from the 2023 legislative session proposed to move certain programs, such as special education, from ADA to enrollment, which would be a significant improvement.

There is one thing to take into consideration when discussing moving to full enrollment-based funding: the cost is more than \$3 billion per year, which, obviously, primarily goes to districts with lower attendance rates. **Modeling this change showed a large number of small and mid-sized districts with surprisingly small funding increases. Modeling a separate scenario of putting the same \$3 billion per year into the Basic Allotment resulted in more districts with larger funding gains.** As the legislature debates changes to the school finance system, an issue to consider is how to best use the finite funds available. The legislature should explore moving to an enrollment-based funding system; however, **the state should also ensure that every school district receives increased revenue to see to local needs.**

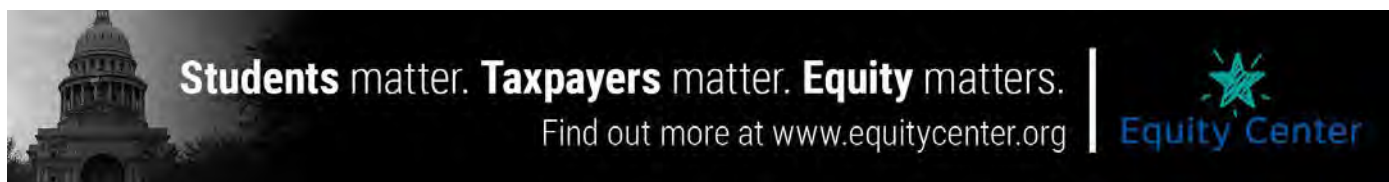
State Aid for I&S

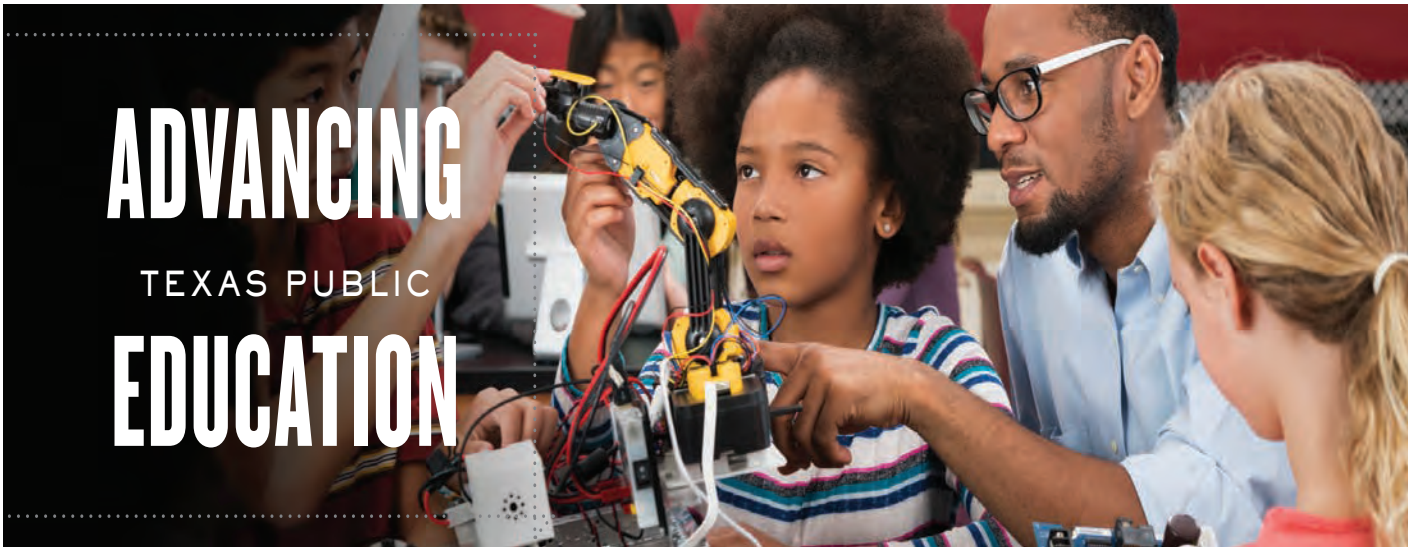
In the 2024-25 school year, estimates for state aid for school district bond payment assistance through the Existing Debt and Instructional Facilities Allotments totals \$128 million. Compare this to the \$660 million the state provided in the year 2000, and it is easy to see that **the state is not keeping up with assisting school districts, or local taxpayers, on paying for facilities.** The guaranteed yields for the EDA and IFA must be dramatically increased to assist local schools and taxpayers.

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Since 1982, we've continued to shine the light on funding discrepancies and push not only for better, more efficient formula funding for Texas schools, but also a continued fight for increases to the basic allotment, school safety, small and midsized formulas, facilities, adjusted weights and allotments, and more.

The work we do now is the groundwork for the role we play in educating legislators and their staff on the issues that impact YOU the most. Be a part of our team and continue this work by pledging your membership again. Thank you.





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Your Session Checklist... by Dr. Carl Dethloff

Early in my career as a campus principal, the inner workings and legislative happenings in our state house seemed far removed from the events and challenges of the day at our local school. My immediate concerns as a school leader were centered around the trials and tribulations that presented themselves on a consistent basis throughout the school day.

The obstacles in front of me took center stage as I worked to provide a safe, efficient, and effective campus structure that focused on student learning. Thus, the legislative action occurring in Austin (that seemed to exist in a galaxy far, far away) was at the bottom of my daily “to-do” list. Frankly, I was much more concerned about the “challenge du jour;” such as how to keep the special needs student safe who bolted out of his self-contained classroom and ran toward the highway. Fortunately, in this situation, I hitched a ride on the sidestep of Tony the mailman’s truck, leapt off at high-speed, used a certified restraining hold, and was able to safely secure the student just as he was about to cross four lanes of swiftly moving traffic. These were the concerns of the day, not what was happening at the Capitol three hours away. As far as I knew, Tony’s mail route did not extend to 1100 Congress Avenue in Austin, Texas. **He was local, I was local.**

The legislative session was something I had heard about as a campus administrator, yet it seemed like it was occurring in Hogwarts and orchestrated by the Ministry of Magic, not affecting our work at the school where I showed up every day at 6:50 a.m. As the years rolled by (thanks to well informed district leaders and mentors) I began to understand the enormous impact decisions made every biennium had on our public schools and how those decisions influence how we live as consumers, citizens, and constituents in Texas. As I grew in my career and found myself in district leadership roles, I became more effective at finding time to understand the complexities of lawmaking and how **decisions made in Austin, Texas and by our elected leaders can strain or improve entire communities and future generations.**

The Texas legislative session is an eventful time for those of us serving in district leadership roles, as it brings potential policy shifts that can impact our schools, students, and communities. The 89th legislative session promises not to disappoint... you can feel the collective excitement. Not since the season finale of the Golden Bachelor have we anticipated this much drama. The session does, however, provide a unique opportunity **to engage**

in advocacy and ensure our voices represent the needs and aspirations of the districts we serve.

Here is a quick checklist and six ideas for school district leaders on navigating and preparing for the upcoming session, ensuring we are ready to financially support all students equitably in the years to come.

The Scintillating Six are:

1. Know the “hot button” legislative topics and stay informed

The 89th session, as with all legislative periods, will introduce a range of bills. ESA and voucher funding, tax compression, teacher certification, student and staff safety, K-12 pathways and health education, accountability measures, and curriculum decisions are all embedded in the 89th session and will impact schools. Reviewing the legislative priorities from both the Senate and the House are pre-requisites for your preparation. You may notice that increasing the basic allotment and adjusting formula funding does not appear on either list – yet all the priorities will have a bearing on how much of our state monies are allocated to school district funding. However, other less-publicized issues, like student enrollment trends and special education funding, will also arise. Preparing for the session means doing your homework early. I recommend the following steps to stay informed:

- **Attend pre-session webinars and workshops** hosted by educational organizations that your district is a member of or that you have prior experience with. There are so many quality organizations in Texas that support our public schools. Check the websites of trusted organizations and cross reference their legislative agenda with your own district’s legislative talking points.
- **Read legislative forecasts and tune in to podcasts** and policy analyses from vetted sources to get a sense of key proposals and potential areas of debate.
- **Develop a clear understanding of the priorities** of both parties as they relate to education, as well as the objectives of the committees that shape education policy.

2. Identify Your District’s Priorities

The district where you serve is unique, with varying needs based on size, location, and demographics. The needs of a rural district differ greatly from those of an urban or suburban one. It is essential to have a strong grasp of what matters most to your district.

Session Checklist... continued

- **Take the time to visit with your school board** as a collective body and as individuals to define the district's key legislative priorities and where they stand on current educational issues.

- **Survey staff and school parent groups** for insights, as they can offer valuable perspectives on specific needs, whether it is funding, program support, or staffing challenges. What does your local community value about your school district and how could the 89th session help or hurt those district values and initiatives?

- **Prepare concise legislative talking points** to succinctly communicate the district's top priorities with stakeholders and staff. This 3-5 item list of key points should be easy to recite and serve as a guide for staff and parents to utilize when interacting with local officials, the public, or key constituents.

3. Build Relationships with Lawmakers and Leaders

Strong relationships with local legislators are invaluable. Check your smart phone's contact list and make sure you have your elected State Representative and Senator easily accessible – or, you have immediate access to their Chief of Staff. When legislators know you and understand your district's needs, they are more likely to listen and consider the impact of proposed bills on your schools. A sincere "thank you" to an elected official for serving continues to be well received and opens lines of communication. Here is how to build and nurture these relationships:

- **Invite lawmakers to visit your schools** and engage with students, teachers, and administrators.

- **Attend local events** where legislators will be present, and proactively introduce yourself to make a personal connection.

- **Schedule meetings or create a text thread with key legislators** before the session begins to discuss your district's priorities and invite them to collaborate on solutions.

- **Communicate frequently during the session**, offering regular updates and a local perspective on pending legislation.

4. Organize your Team

Reach out to your local leaders and elected officials and provide them with your legislative talking points. Every voice counts in advocacy, and it is important to have a network of supporters prepared to engage when necessary. Building an advocacy team can help amplify your district's voice and increase your reach. Here is what this team might look like:

- **Parents, teachers (retired teachers too), and administrators** who are enthusiastic about local education.

- **Community partners and local business leaders** who recognize the link between strong schools and a thriving community. The Chamber of Commerce, civic groups and clubs, the mayor and local elected officials, local hospitals, military installations, higher education leaders (especially state funded colleges) and professors, all can be strong allies.

- **Student ambassadors** who can share how policies impact their learning experiences.

- **Media partners** who can help share your district's story with a broader audience.

Ensure each member of the team understands the district's legislative priorities or talking points and is prepared to communicate them effectively.

5. Monitor and Adjust

Once the session begins, staying engaged and nimble is essential. Legislative sessions are dynamic; amendments and new bills can emerge quickly.

- **Keep track of committee meetings** and monitor bills in real-time.

- **Provide regular updates** to your school board, staff, and the community on relevant legislative developments.

- **Mobilize your advocacy team** when bills that affect your district are scheduled for discussion or vote, whether by sending email, making calls, or organizing social media campaigns.

- **Stay in close contact with your school district's legal counsel** and/or attorney before sending out mass communication to ensure you are complying with legal requirements for entities that receive state funding.

6. The Power of Storytelling

When advocating for specific policies, data and facts are essential, but so are personal stories. Legislators respond to real-life stories that illustrate the impact of proposed legislation. Our brains are designed to gobble up story structure. Personal anecdotes and tales from your own community continue to resonate with all of us. I encourage you to tell the story of your district or how a student (keeping student confidentiality of course) has been impacted by funding or lack of funding due to legislative action.

- **Gather and share testimonials** from students, teachers, and parents that illustrate how certain policies have benefited—or challenged—your district.

(continued on page 6)

Session Checklist... continued

- **Highlight success stories** that show what your district has accomplished with past legislative support and underscore the ongoing needs that new legislation could address.

The legislative process is often challenging, but it is also an opportunity to help shape the future of education in Texas. By staying informed, building relationships, and engaging with a strong advocacy team, we can work together to ensure that our schools receive the support they need to thrive.

As we prepare for the upcoming session, let us remember that our voice is our strength. ***Together, we can make a difference for our students, our schools, and communities.***

The Equity Center continues to be a logical, transparent organization that simply wants Texas' students to achieve greatness through equitable funding mechanisms that keep pace with the economy of the future. And the 89th legislative session is a good place to start. ***Your membership and support help to keep a quality education accessible for all children in Texas.*** Keep the Scintillating Six at your fingertips this spring – our Texas school children need you.

***** Stay tuned for updates and alerts regarding legislative news, interim committee postings and more! If you are not receiving our updates (including email newsletters, alerts, video updates and more), check your district's spam filters, call us to verify membership, or JOIN TODAY!***

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Truth About State Funding... by Paul Colbert

Several top public officials, together with the Texas Education Agency, have been putting out blatantly inflated descriptions of the amount of money spent by Texas public schools on educating their students. This misinformation is being used to confuse public understanding of the real and serious funding issues that our schools face.

While the numbers vary over time and from different sources, amounts in excess of \$15,000 per student frequently are used. In fact, few students in Texas are fortunate enough to have educational programs funded at those levels. So, let's look at the real numbers and see where the mythical ones might come from.

The biggest misrepresentations sometimes come from using funds that either do not go to school districts or funds that are designated for specific, necessary purposes other than classroom instruction. Among the former are funds for already-retired teachers and other school staff, school lunch and breakfast programs (primarily federally funded), transportation services and for the Texas Education Agency bureaucracy.

Recent explanations have included other federal funds, particularly the temporary "ESSER" COVID relief funds, *that districts are no longer receiving*, funds to pay for bonded debt that finances building, school buses, technology and other non-operational costs, and funds related to additional non-operating expenses. They also frequently double-count the impact of "recapture" – local tax dollars that the state recoups from wealthy school districts to assist in equitable funding for districts with less-wealthy tax bases – by including these revenues both as local taxes and as state aid.

Another technique is to use the state instructional materials aid, which is *appropriated in only one year of the biennium*, as if that was an annual amount. An additional tactic that misrepresents what traditional property-tax-supported school districts receive is to include the funding for charter schools, which are 100% funded by the state at substantially higher levels for maintenance and operations, in the "average" amount districts receive. Finally, revenue is almost always presented as "per ADA" even though actual expenses are driven by enrollment, not merely the average attendance.

So, let's look at what districts really receive.

The most recent school year for which "final" data (which will still be regularly updated, but only slightly) is 2022-2023, corresponding to fiscal year (FY) 2023. The primary sources of funding for maintenance and operations (M&O) that school districts receive are local M&O property taxes and state M&O aid from the Foundation School Program. The latter is funded by general revenue and special fund (e.g. – lottery revenue and certain designated taxes) to the Foundation School Fund and the Available School Fund distribution from the Permanent School Fund.

Districts also receive some federal dollars for instruction, primarily supplemental aid for disadvantaged and special education students, but it amounts to less than 10% of all funding. However, *federal law prohibits considering these dollars in state aid decisions to prevent using them to "supplant" state aid.* Districts also have non-tax "other local and intermediate revenue" raised locally from donations, vending machines, ticket sales, interest on bank deposits and a myriad of other sources. While these are usually modest amounts, some wealthier districts have "other local" revenue that significantly exceeds federal aid. For these reasons, ***we will only focus on state aid and local tax dollars. Due to the lack of enrollment data in the "Statewide Summaries of Finances", per-student funding will be per ADA.***

In FY 2023, local property taxpayers paid \$32.87 billion for M&O. TEA lists \$23.05 billion as coming from state aid but \$4.54 billion of that money came from "recaptured" local property taxes. That left only \$18.51 billion in aid from state revenue sources. Additionally, \$3.97 billion of that went to educating the 360 thousand charter school students. Thus, state revenue only paid \$14.47 billion of the cost of educating over 4.6 million students in traditional school districts.

By comparison, in FY 2014 official state M&O aid totaled \$19.37 billion, but excluding \$1.2 billion in recapture left \$18.16 billion coming from state revenue. Further removing the \$1.56 billion spent on 183 thousand charter students, \$16.6 billion in state revenue was provided traditional districts for M&O,

State Funding... continued

despite the fact that there were fewer students in 2013-2014 than in 2022-2023.

In total dollars (not adjusted for inflation), state revenue to traditional districts declined by 12.8% over the 10-year span. **On a per-student basis, the decline in funding was even more stark.** Funding fell from \$3,611/ADA in FY 2014 to \$3,132/ADA in FY 2023 in unadjusted actual dollars, or 13.3%. During that period cumulative inflation totaled over 29%

That failure to even maintain state support over ten years, let alone to cover the impact of inflation, was made up for by local property taxpayers. M&O local revenues for traditional school districts increased \$13.37 billion, or 69% from \$19.5 billion in FY 2014. As a result, their M&O per student rose from \$7,853/ADA to \$10,244/ADA in FY 2023 despite state aid falling by \$479/ADA over that time. This enabled districts to barely keep up with the cost of inflation and the lifting of TEA's illegal cap on the percentage of students receiving special education services.

What about FY 2024?

The TEA data for the 2023-2024 school year is "near final". While corrections and updates are regularly added to all years, "near final" data still contains several important items that can have significant changes before "final" status. Subsequent changes to "final" data are minor and usually cause no significant modifications. The change to "final" status usually occurs in mid- to late March of the following year but after the last major changes in 2019, the FY 2020 data was not deemed final until April of 2021.

This past year has seen particularly large data shifts due to the impact of significant compression of tax rates and the large increase in the homestead exemption. These impact estimates of both local revenue and its corresponding impact on calculation of state aid. So, while we will look at state and local funding for FY 2024, it is with the understanding that these numbers could change.

Current estimates of FY 2024 local M&O revenue total just over \$27.5 billion, or a decrease of \$5.36 billion from the prior year. As a result, state M&O aid from state revenue is estimated to be \$26.55 billion, an increase of just over \$8 billion. About \$400,000 of that is increased aid to charter schools, so state aid to traditional school districts is predicted to increase \$7.65 billion to \$22.13 billion.

This leaves a net increase in M&O revenue for traditional school districts of about \$2.3 billion, or a bit under \$500/ADA. **About half of that amount stems from the large increase in Tier 2 "golden penny" yield resulting from the "96th percentile" floor the Equity Center advocated for in the 2019 school finance legislation.** The only increase in funding passed last session was for the school safety allotment, at a cost of \$135 million. Over \$600 million of the remaining increase in revenue resulted from almost 90,000 additional students participating in special education programs. The cost of several new hold-harmless provisions related to tax relief added the final amounts.

State M&O aid to traditional school districts is projected to have increased from \$3,132/ADA in FY 2023 to \$4,772/ADA in FY 2024. But, because most of these new funds merely replaced the required reductions in local taxes, total M&O revenue for these districts is projected to only grow from \$10,244/ADA to \$10,706/ADA. **While about half of that increase – resulting from the Equity Center's Tier 2 floor – is an actual increase that can help with overall expenditures, the rest of the increases are insufficient to cover the additional costs of the school safety legislation or the cost of properly serving the additional special education students.**

The last five years

Prior to FY 2020, state aid to traditional school districts had fallen by over \$2 billion in actual unadjusted dollars from FY 2016. State aid per student had fallen from \$3,823/ADA to \$3,303. The "historic" increases adopted in 2019 merely restored funding to about the 2016 level.

As previously described, most of last year's state aid increase merely replaced the required property tax reductions. Of the 25% increase over FY 2020 aid per student, **total M&O revenue per student only increased 8.8% during a period when cumulative inflation has totaled over 20%.** (continued on p.10)

State Funding... continued

Furthermore, as also mentioned, the increased net funding that did not come from the Equity Center’s Tier 2 floor went to only partially cover mandated increases in costs.

Charter school funding

In FY 2014, Texas spent \$1.56 billion serving 183,000 charter school students, or \$8,522/ADA. That increased to \$3.97 billion in FY2023, \$11,018 for 360,000 students and is projected to have cost \$4.36 billion for 380,000 students in FY 2024, a cost of \$11,496/ADA.

What about funding for facilities bonds?

Since 1999, Texas has provided two programs to assist school districts with the cost of building, repairing or upgrading facilities: the Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA). In a manner similar to the M&O portion of the Foundation School Program, both are designed to at least partially equalize the tax rates needed to pay for a given amount of the cost per student for facilities bonds. However, **these formulas have remained almost unchanged** since then.

In 2014, these two programs cost the state about \$640 million and covered nearly 12% of expenditures for these bonds. In 2024, expenditures are estimated at \$143 million and will cover only about 1.2% of district costs.

An additional program to replace facilities revenue losses caused by the required tax relief was added in FY2016. Called “Additional State Aid for Homestead Exemptions” (ASAHE), the cost of this hold-harmless is estimated to grow from \$244 million in FY 2023 to \$978 million in FY 2024, when it is estimated it will cover 8.2% of school bond costs. However, unlike IFA and EDA, that serve property-poor districts most in need of assistance, the bulk of ASAHE funds will go to wealthier school districts.

FY	Local M&O	State M&O w/Recapture	State M&O w/o Recapture	State ISD M&O
2014	19,500,257,647	19,366,218,808	18,161,491,891	16,601,200,969
2020	27,786,269,344	23,356,915,143	20,800,296,809	17,563,544,321
2023	32,870,163,696	23,050,012,485	18,507,466,359	14,473,818,663
2024*	27,506,054,552	29,224,137,022	26,547,432,549	22,123,626,565

All numbers from TEA Statewide Summaries of Finances and Charter School Summaries as of 11/1/24; *2024 numbers are Near Final

FY	ISD M&O per ADA	ISD State Aid per ADA	ISD Total Revenue per ADA	ISD Total State Aid per ADA
2014	7,853	3,611	9,056	3,750
2020	9,837	3,810	11,624	3,900
2023	10,244	3,132	12,518	3,215
2024*	10,706	4,772	13,287	5,014

All numbers from TEA Statewide Summaries of Finances and Charter School Summaries as of 11/1/24; *2024 numbers are Near Final

FY 2020 is included in the tables because that was the year when the most recent increase in state aid occurred following the 2019 legislative session.

Paul Colbert, a former state representative from Houston, chaired budget and oversight of public education on the House Appropriations Committee and was one of the creators of the state’s Economic Stabilization Fund. He has been a consultant on public policy since retiring from the Legislature.

You're Invited

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How Vouchers Could Impact Public Schools...by Paul Colbert

Most discussion of how a voucher program might affect public schools focuses on the potential for students leaving public schools for private education. In an effort to win support, voucher proponents have even offered special aid to “protect” rural schools from losses. While that impact could be significant, experience in other states shows that the largest danger to public education comes from the cost of providing vouchers to students already in, or planning to attend, private or home schools.

Potential costs

On their website last year, the Texas Private Schools Association claimed to represent 250,000 students, and not all private schools are members. On their website, the Texas Home School Coalition claimed there were 750,000 home-schooled students in Texas. Together, that means about 1 million students who are not currently in public schools and who currently receive no state funding would be eligible for ESA vouchers.

While House and Senate bills last session established initial limits on who could qualify and the appropriations bill limited funding for the first year – the second year of this biennium – to “only” \$500 million, that doesn’t tell the full story. It is the repeated goal of the state’s leadership to provide what they call “choice”, whether through vouchers or ESAs, to all parents.

“ESAs should be available to everybody in Texas. Now is the time to expand ESAs to every child in the state. That will give all parents the ability to choose the best education option for their child.” – Gov. Greg Abbott

The \$500 million cap could have easily been overridden after the session by the Legislative Budget Board exercising “budget execution authority” to move additional money into the program. Even if they didn’t, the fiscal note on the House bill from the 4th Called Session put the estimated cost for next biennium at \$1.9 billion for FY 2026 (the 2025-2026 school year) and, while it didn’t give the exact amount, appears to expect about a \$2.1 billion cost for the second year, specifying \$2.3 billion as the cost in FY 2028. In other words, the estimated cost for next biennium totaled about \$4 billion.

That small annual growth was based on an unrealistic projection that parents of only one half of all private and homeschool students would want vouchers initially and that this would only increase by 5% per year. It also assumed that private school capacity could only grow by 2% per year. Since charter schools’ annual growth has averaged more than 12% over the past 10 years, this was drastically too low.

The recent experience of Arizona should be cautionary. When they expanded eligibility in their voucher program, the cost for the 2023-2024 school year came in at five times the estimated amount. Give each of those 1 million students currently in private education the Senate’s proposed \$8,000 and the cost could reach \$8 billion per year, \$16 billion per biennium of taxpayers’ money. At the House’s \$10,500 voucher, the cost could reach \$21 billion per biennium. While the House bill limited vouchers for homeschool students to \$1,000, it also contained the “virtual voucher” provision that would have allowed new virtual charter schools to serve homeschoolers at their cost under the Foundation School Program’s charter school formulas, which currently average \$11,500/ADA.

Remember, this potential \$16 billion to \$21 billion cost to state taxpayers would occur even if not a single current public school student leaves for private education.

The Legislature has now voted to spend more than \$18 billion this biennium on some form of presumably permanent tax relief. Combine that with the eventual potential cost of either of these voucher plans and \$35 billion to \$40 billion in new spending would have been obligated for those two policies over what was spent the previous biennium.

The cost of students leaving public schools

There are about 5 million students currently in Texas public schools. The estimated average Foundation School Program cost for last year was about \$10,700/ADA. That means a loss to public schools of over \$500 million, or \$1 billion per biennium, for each 1 percent of students who would leave for a private or home school.

Vouchers Impact... continued

Educators know that these losses would not be offset by comparable savings. If one or two students leave a public school classroom, the district loses the funding for one or two ADA. Meanwhile, the salaries for the teacher and other personnel don't go down, the utility bill isn't reduced and insurance costs stay the same. While not as large as the potential impact of siphoning off billions of dollars that could be used to fund and improve public education, the harm is still significant.

What about polls showing public support for vouchers?

These results stem from a common fallacy in structuring poll questions: the lack of context for complex issues. A simplified example of how this works would be asking those polled, "Would you like a steak dinner?" The response would probably be 80-90% favorable, with the negatives coming from vegetarians or people avoiding red meat. If, on the other hand, the question was, "Would you like a steak dinner at a cost of \$20?", the favorable response would likely drop significantly. If the question was, "Would you like a steak dinner at a cost of \$100?", the favorable response would likely be negligible.

Vouchers are like that steak dinner. They do not come without cost and the public awareness of the potential costs is virtually nonexistent.

Paul Colbert, a former state representative from Houston, chaired budget and oversight of public education on the House Appropriations Committee and was one of the creators of the state's Economic Stabilization Fund. He has been a consultant on public policy since retiring from the Legislature.

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Legislative News

Tax Rates, Property Tax Reductions, and Elections

The Senate Local Government Committee met on November 7th to discuss recommendations for further property tax relief and reform, including methods to improve voter control over tax rate setting and debt authorization.

The issue of requiring a super-majority for Voter-Approved Tax Rate Elections has been proposed in prior legislative sessions, and it appears it is still an issue of interest. Also discussed was the possibility of creating new restrictions for bond elections.

Legislation has been filed in previous legislative sessions to place limitations on tax rate elections, such as Senate Bill 1819 which would prohibit a tax rate increase in a year after a proposed VATRE failed, and to impose new restrictions on local bond elections, so it is safe to assume that new limitations on both M&O and I&S elections will be pursued in the upcoming legislature.

Comptroller’s State of Texas Annual Cash Report

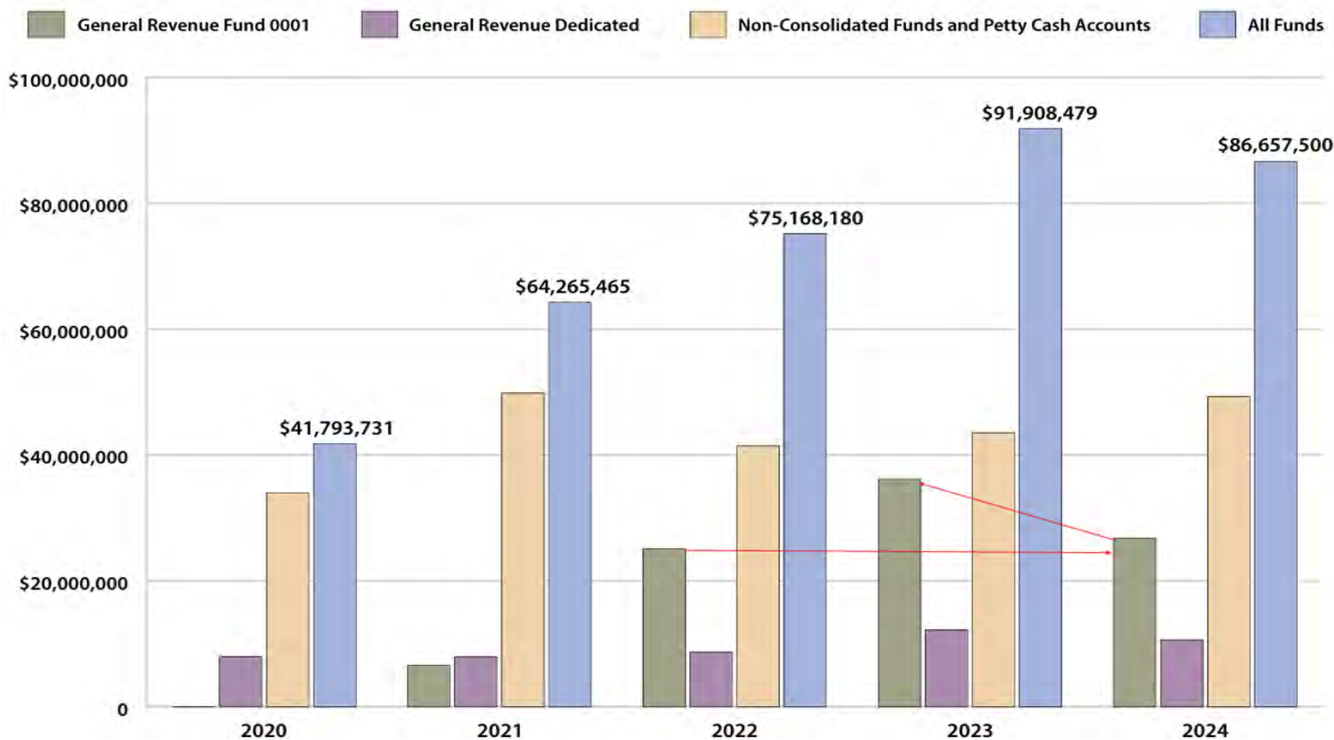
The Texas Comptroller released the State of Texas Annual Cash Report earlier this week. The biggest takeaway is that tax collections have cooled, and revenue has declined since FY 2023.

Consolidated General Revenue has decreased \$11 billion, 22.8 percent, from fiscal year 2023. This change is largely driven by the costs of property tax reduction from the 2023 legislature. Tax collections are down 0.3 percent, and the largest tax collection category, sales tax, is up 1.2 percent after increasing by 19.3 percent in 2022 and 8.4 percent in 2023. The Economic Stabilization Fund (ESF), also known as the Rainy Day Fund, is valued at \$21 billion, an increase of \$6.9 billion compared to 2023.

This trend is relevant because the cost of property tax reduction in prior sessions is an ongoing cost the state must continue to appropriate every legislative session, and any effort to accelerate rate compression, along with the possible creation of education savings accounts, will put a further strain on state resources. As General Revenue is allocated to these other priorities, it limits the amount the state has to invest in public education.

Ending Cash Balance – All Funds

Years Ended August 31 (Amounts in Thousands)



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