

# Region One FAC Presentation

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FEBRUARY 24, 2017

# Public Ed Wastes Money Outside the Classroom

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The allegation:

- Public education spends about \$60 billion a year, so round to about \$10,000 per enrolled student
- With 20 students in a classroom, that should be about \$200,000 per classroom, but teachers only make about \$50,000
- Therefore about 75% of the money spend does not go to teachers
- We could have 4 times as many teachers if we weren't spending the money elsewhere

# Facts

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Of the \$60.977 billion in total expenditures of school districts in 2014-15, about \$12.2 billion cannot be legally spent on teachers (capital outlay and debt service)

Teacher salaries were \$17.357 billion for base pay alone, not counting stipends and benefits – 36.5% of all operating expenditures

Benefits and stipends for teachers add \$3.4 billion, 7%

Many roles in direct service to students not included (nurses, counselors, librarians, therapists)

Utility bills - \$1.3 billion

Transportation services - \$1.3 billion

Food service - \$2.6 billion

# The Big Picture

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New leadership with new priorities

Little appetite for “big government”

Chronic, growing, and competing social and infrastructure needs

Lack of mandate regarding school finance, even though problems are recognized

Key recommendations from Senate Education and House Public Education Committee Interim Reports

# Revenue Performance FY 2017 – as of January

	New Biennial Revenue Estimate Projected Growth*	Year – to – Date Growth
Sales Tax	1.99%	- 0.47%
Motor Vehicle Tax	2.02%	0.48%
Natural Gas Tax	31.75%	- 2.22%
Oil Production Tax	9.75%	3.54%
Alcoholic Beverage Tax	4.02%	2.69%
Cigarette and Tobacco	10.74%	1.42%
Motor Fuels Taxes	2.19%	2.50%

\* Growth rate needed to reach FY 2017 revenue projection

# The Speaker's General Areas of Interest

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Investing in the state's mental health system

Fixing the school finance system with reduction of recapture

Reforming the child welfare system

Higher education accessibility

Infrastructure support

# Top Priorities of Lt. Governor Dan Patrick

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SB 1 – **2017 Budget Proposal** – [...] we will pass a balanced budget.

SB 2 – **Property Tax Reform** – Texans pay the sixth highest property taxes in the nation and [...] This must change.

SB 3 – **School Choice** – There is broad support for legislation to ensure that every parent has the option to send their child to the school they believe is best for them.

Source: [https://www.ltgov.state.tx.us/wp-content/uploads/docs/2017\\_Top\\_Legislative\\_Priorities.pdf](https://www.ltgov.state.tx.us/wp-content/uploads/docs/2017_Top_Legislative_Priorities.pdf),  
accessed on 1/13/2017 at 10:45 a.m.

# Additional Issues Facing TX Public Education

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Quality and utility of state assessments

Fairness of state accountability system – now and in the future

Interaction of state and federal government on education

Extent to which “local control” really means “local control”



# Proposed State Budgets

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Aggregate spending is different

- Senate spends \$1.3 billion less than available
- House spends \$4.0 billion more than available

Medicaid spending is different

- House funds caseload growth; Senate does not
- Neither funds other Medicaid cost drivers

Neither budget addresses TRS-Care

Senate includes a 1.5% across the board cut in general revenue, except for FSP

Supplemental appropriation needs not included

# House FSP Funding Increase?

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**72. Contingent Appropriation for School Finance Legislation.** In addition to amounts appropriated above, and contingent on the enactment of legislation to reform the school finance system, the Texas Education Agency is appropriated an additional **\$1,470,200,000**, out of Foundation School Fund No. 193 in the 2018-19 biennium to be allocated to school districts and charter schools for the purposes of **improving equity, reducing recapture, and increasing the state share of the Foundation School Program**. The sum-certain appropriation for the Foundation School Program as identified in Rider 3, Foundation School Program Funding shall be increased commensurately.

# TEA Change in LOHE Interpretation

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- What does this mean and what does it cost?

February 1, 2017

TO THE ADMINISTRATOR ADDRESSED (TAA):

**Subject: Recognition of property value loss for 50 percent of the local optional homestead exemption (LOHE) for the 2016-17 school year (and state fiscal year (FY) 2017)**

This letter addresses a change in practice that will impact the calculation of recapture amounts owed under Chapter 41, Texas Education Code (TEC) and facilities funding allotments under Chapter 46, TEC. Previously, TEA only recognized 50 percent of the value loss due to the LOHE for purposes of calculating recapture under Chapter 41 and facilities funding allotments under Chapter 46 when there was a specific appropriation or a surplus in the FSP. Starting with the 2016-17 school year (and state FY2017), TEA will recognize 50 percent of the value loss due to the LOHE for purposes of calculating recapture under Chapter 41 and facilities funding allotments under Chapter 46, regardless of the existence of an appropriation or a surplus in the FSP.

TEA will recalculate recapture amounts owed and Instructional Facilities and Existing Debt Allotments (IFA and EDA) for the 2016-17 school year (and state FY2017) as soon as possible. **This change is effective for the 2016-17 school year (and state FY2017) only and forward and will not be applied retroactively to prior fiscal years.** If you have any questions about this letter, please contact a state funding consultant at (512) 463-9238.

Regards,

Leo Lopez, RTSBA  
Associate Commissioner for School Finance /  
Chief School Finance Officer

# The Houston Issue

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Original Election to authorize recapture failed

- TEA's options limited to detachment/annexation or consolidation
- HISD Board calls for new election on May 6, 2017.

Legislative solutions unclear

- Adjustments to formulas would also impact recapture for other districts
- Houston's list includes optional homestead, transportation allotment, CEI impact in WADA
- Increasing the equalized wealth level (linked to basic allotment) could cost billions per year

# Property Value Decline

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Almost 300 districts with sizable percentages of property value in oil and gas experienced a rapid decline in 2015-2016 and 2016-2017 property values

Provision in the Texas Education Code to assist districts that experience four percent or more property value loss in one year

Provision has not received an appropriation since 2011

United ISD working with a coalition of districts to push for appropriation in the supplemental budget this session

Initial estimate that appropriation needed is \$99 million to help districts with 2016-2017 property value declines

# Other Topics in School Finance

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Extend ASATR

Modify recapture

Austin Yield Cost

Cost of Education Index

Weight Changes

Increase funding and Economic Stabilization Fund

Interim Blue Ribbon School Finance Committee Studies

# Three Plans

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TASB Single Tier Guaranteed Yield

Equity Center Single Tier Variable Basic Allotment

TSA Modifications to Special Programs, Basic Allotment, and Tier 2

# Impact of Changing Compensatory Education Funding

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## Changing the student count to at-risk students shifts money

- At current weight (0.20), Region One districts lose about \$137 million per year, or about 4.1%
  - All Region One districts lose revenue
  - Average loss of \$373 per ADA for Region One is the greatest amount of any region
  - Statewide loss is \$832 million per year, or 2.1%
- Raising the weight to 0.30, Region One districts gain about \$35 million per year, or about 1.1%
  - 19 Region One districts gain, but 17 lose revenue
  - Average gain of \$96 per ADA is the 9<sup>th</sup> lowest of any region, but well below the state average of \$159 per ADA
  - Statewide gain of about \$760.2 billion, or 1.9%



# Senate Bill 3: Education Savings Accounts

*Spending accounts for private or home schoolers*

*Eligible Students:*

- Attended a public school during the entire preceding academic year
- Or any student born after Sept. 1, 2012

*Allowable Expenditures:*

- Tuition and fees at a private school, postsecondary educational institution, or online school
- Homeschooling-type expenses (e.g., curriculum or textbooks)
- Tutoring
- Therapy for special education students
- Technology like computers or software (up to 10% of ESA amount)
- Norm-referenced tests
- NOT transportation

Eligibility Group	Gross ESA Entitlement
<b>Exceeds 200% of Income Guidelines for Free and Reduced Price Lunch</b>	60% State Average M&O Expenditures per student in ADA for the Preceding Year
<b>Meets or Below 200% Income Guidelines for Free and Reduced Price Lunch</b>	75% State Average M&O Expenditures per student in ADA for the Preceding Year
<b>Funding for a Disabled Child (No income requirement)</b>	90% State Average M&O Expenditures per student in ADA for the Preceding Year

# Senate Bill 3: Tax-Credit Scholarships

*Financial assistance for public and private school students funded by contributions made by organizations in exchange for insurance premium taxes exemption*

**Eligible Students must:**

- Have a disability, or
- Have attended public for the entire previous year, be the sibling of an eligible program participant, or start school in Texas for the first time

**Allowable Expenditures:**

- Facility fees, textbooks, school supplies, tutoring, academic after-school programs, school or lab fees, and transportation costs
- Can be combined with an ESA for some students

Eligibility Group	Scholarship Entitlement
Students with a Disability, or Families with Incomes at or below 175% Income Guidelines for Free and Reduced Price Lunch	75% State Average M&O Expenditures per student in ADA for the Preceding Year
Other Qualifying Students – in foster care or institutional care; child of active duty military or Families with Income below 200% Income Guidelines for Free and Reduced Price Lunch	50% State Average M&O Expenditures per student in ADA for the Preceding Year

# Senate Bill 3: Oversight and Public Schools

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**Academic Accountability Requirements:** ESA program requires none; Scholarship program requires schools to administer a norm-referenced test

**Attendance or Grade-level Completion Requirements:** None

**Financial Accountability:** ESA can be audited; it is unclear what expenses parents will have to report for either program

**Public School Subsidy:** Schools receive half of the difference between the ESA amount and the statewide average cost per student; for the Scholarship program, schools can keep a student on WADA rolls for Chapter 41 purposes; subsidies for one year only

**Students with Disabilities:** ESA—no mention of IDEA rights; Scholarship program—public schools must notify parents alerting them that qualifying nonpublic schools are not subject to same laws

**Parent Responsibility:** Parents must notify state when students graduate or re-enroll in public school

# Special Session Speculation

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