

Equity Gains Under HB 3, 86th Legislative Session

An Equity Center Presentation for
Region 1 Superintendents Summer Retreat
June 7, 2019

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

✓

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 ✓

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

✓

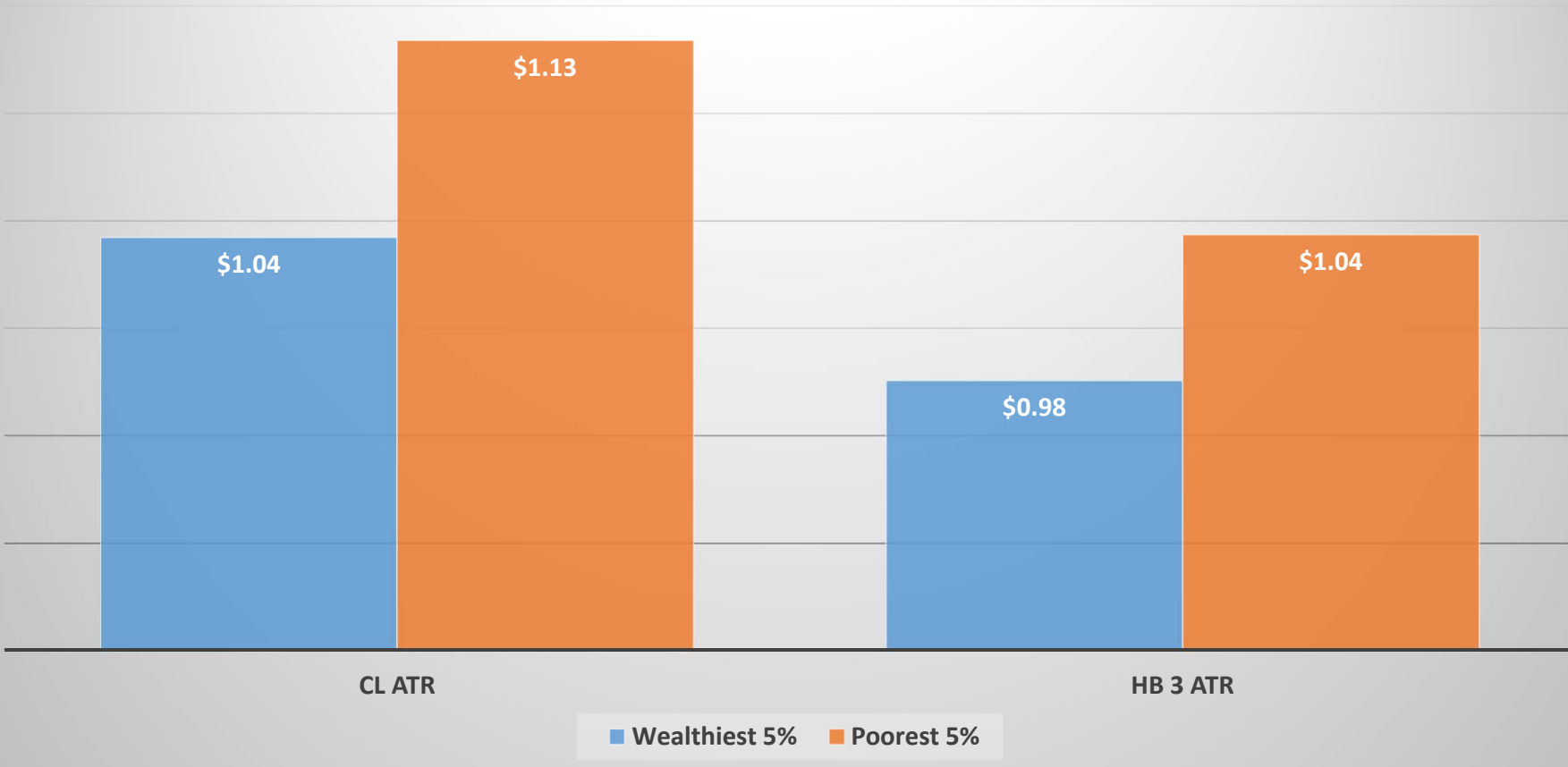
Requires all districts to adopt tax rates equal to their New Compressed Rates in order to earn Full Entitlement in Tier 1

✓

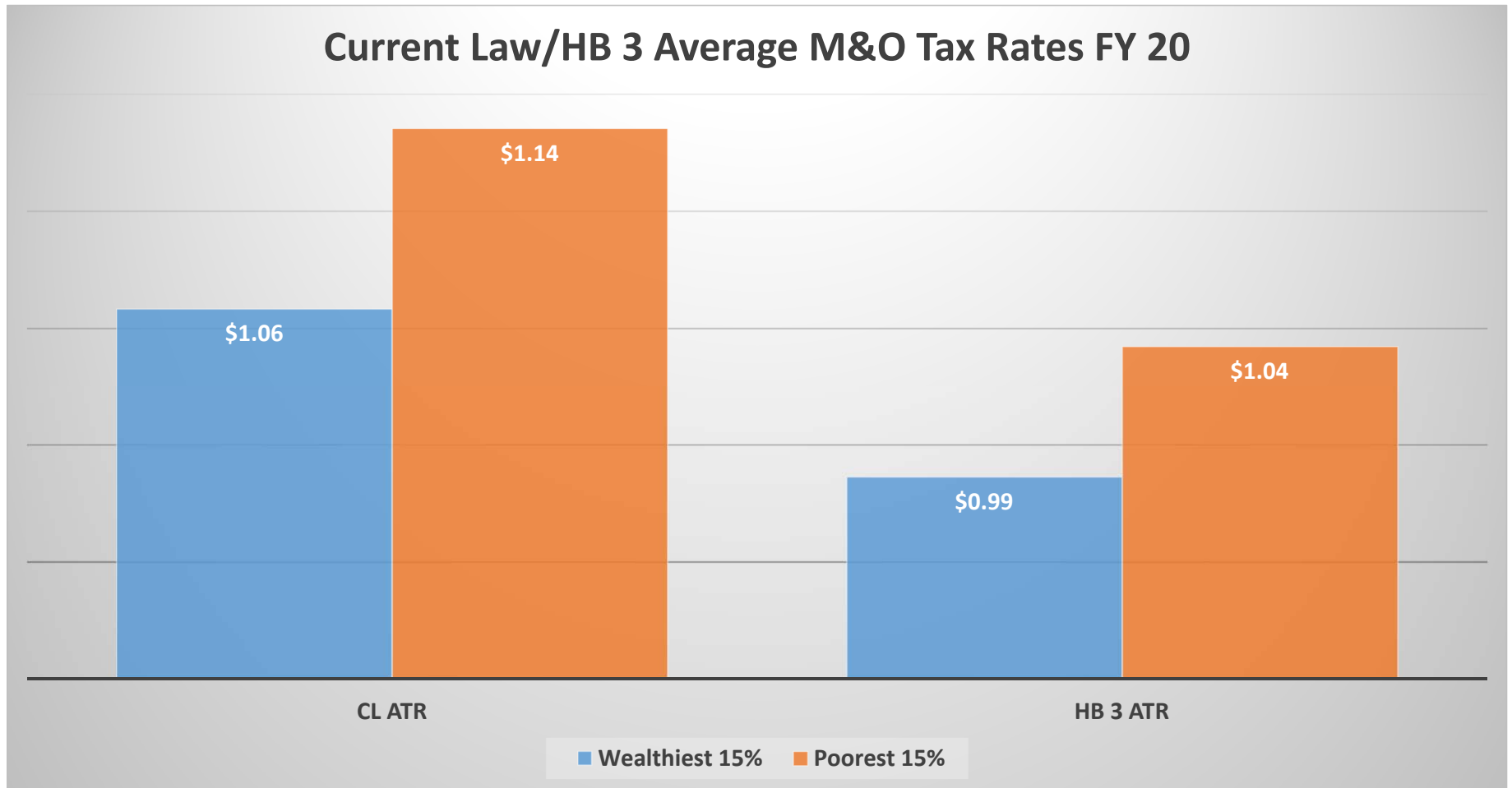
Forces all districts to tax at full New Compressed Rates before they can access any Tier 2 Golden or Copper Pennies

✓

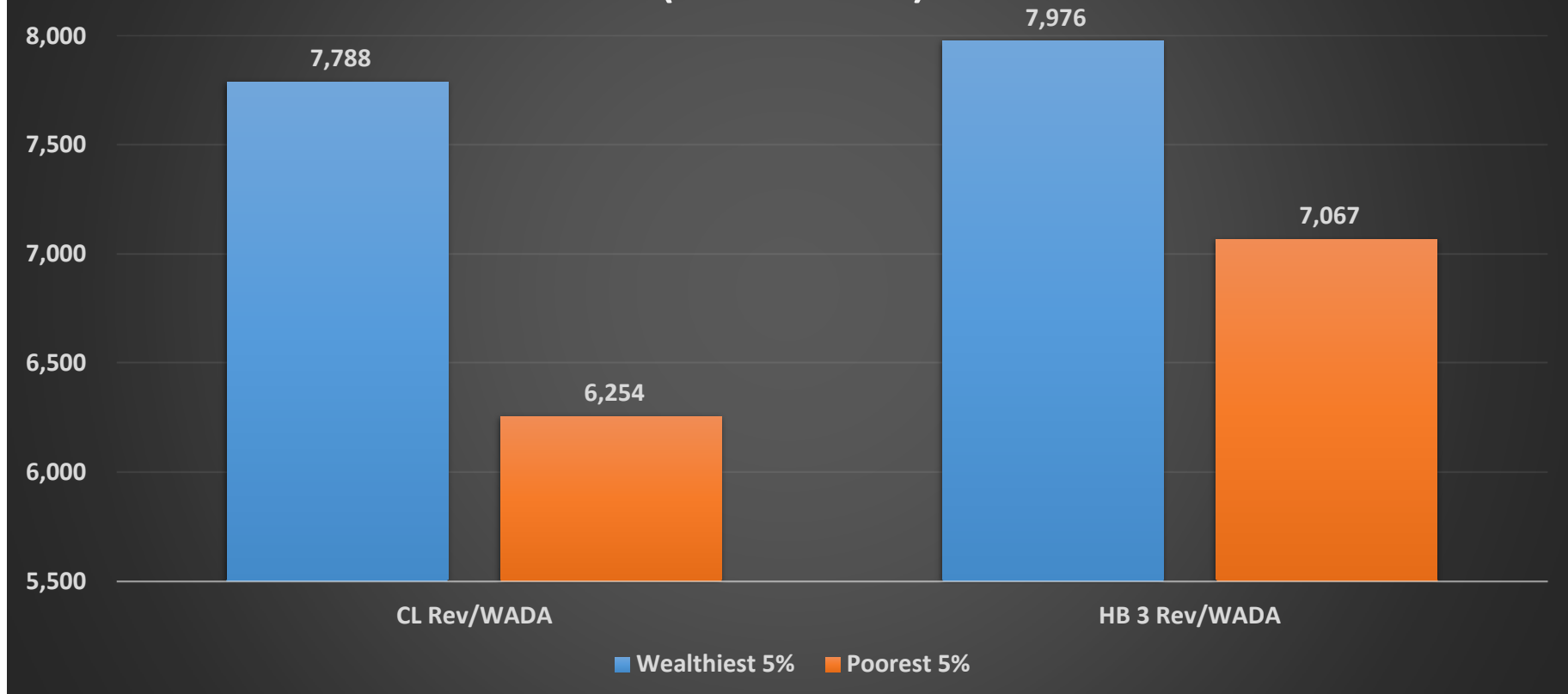
Current Law/HB 3 Average M&O Tax Rates FY 20



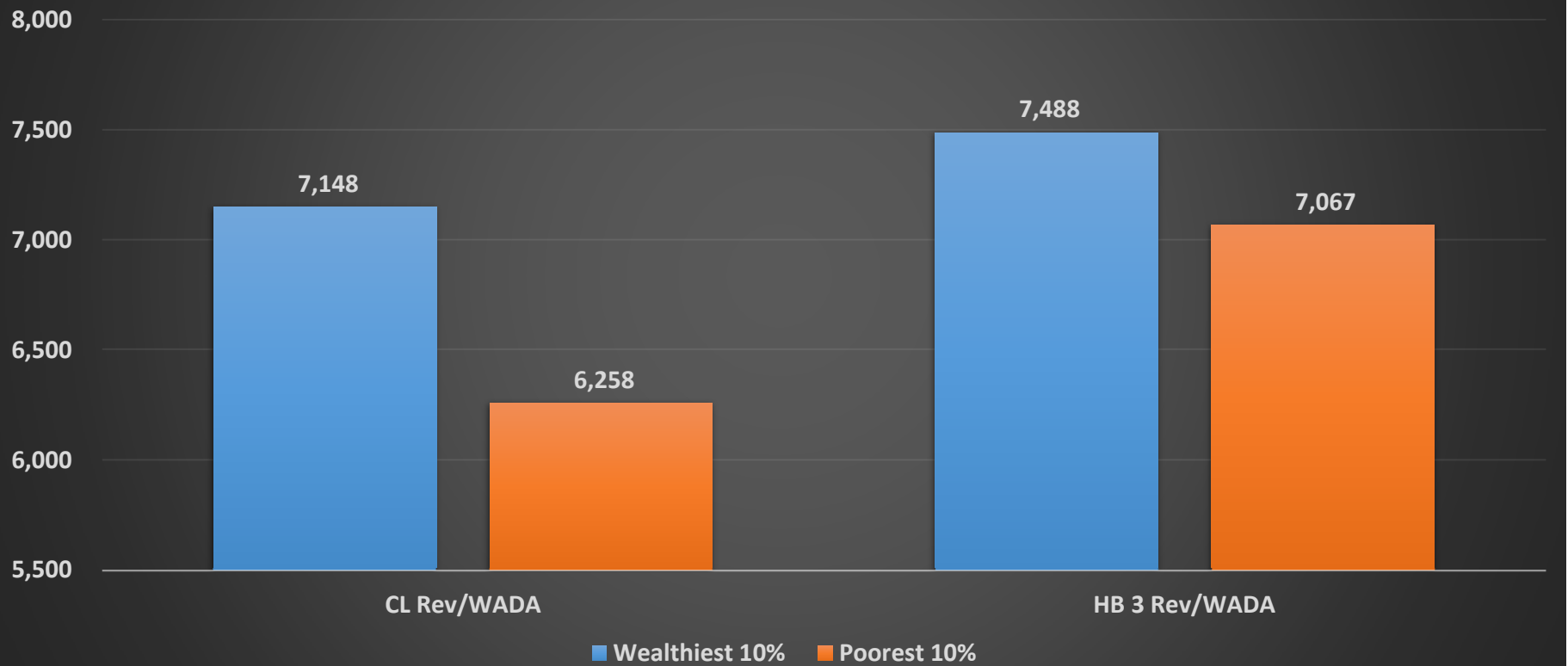
Current Law/HB 3 Average M&O Tax Rates FY 20



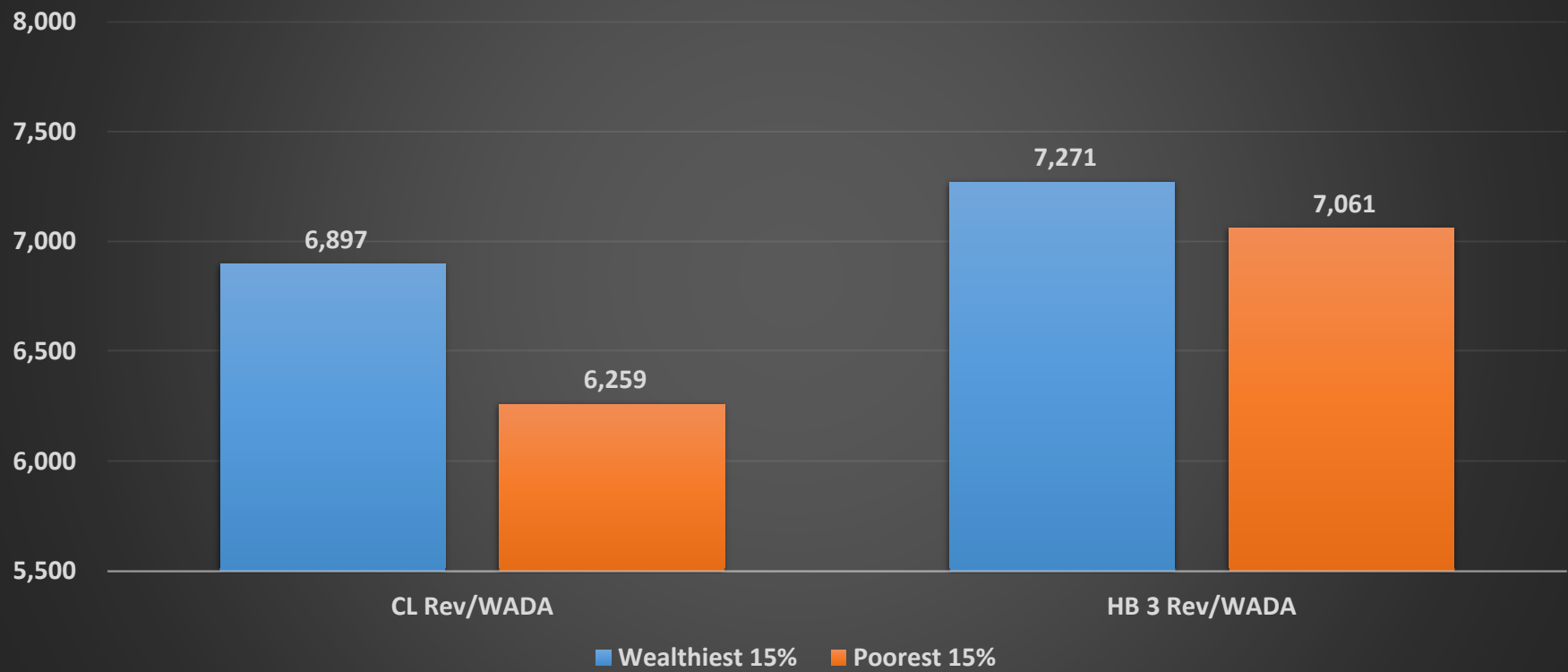
Current Law/HB 3 Average FY 20 Revenue/WADA (HB 3 WADA)



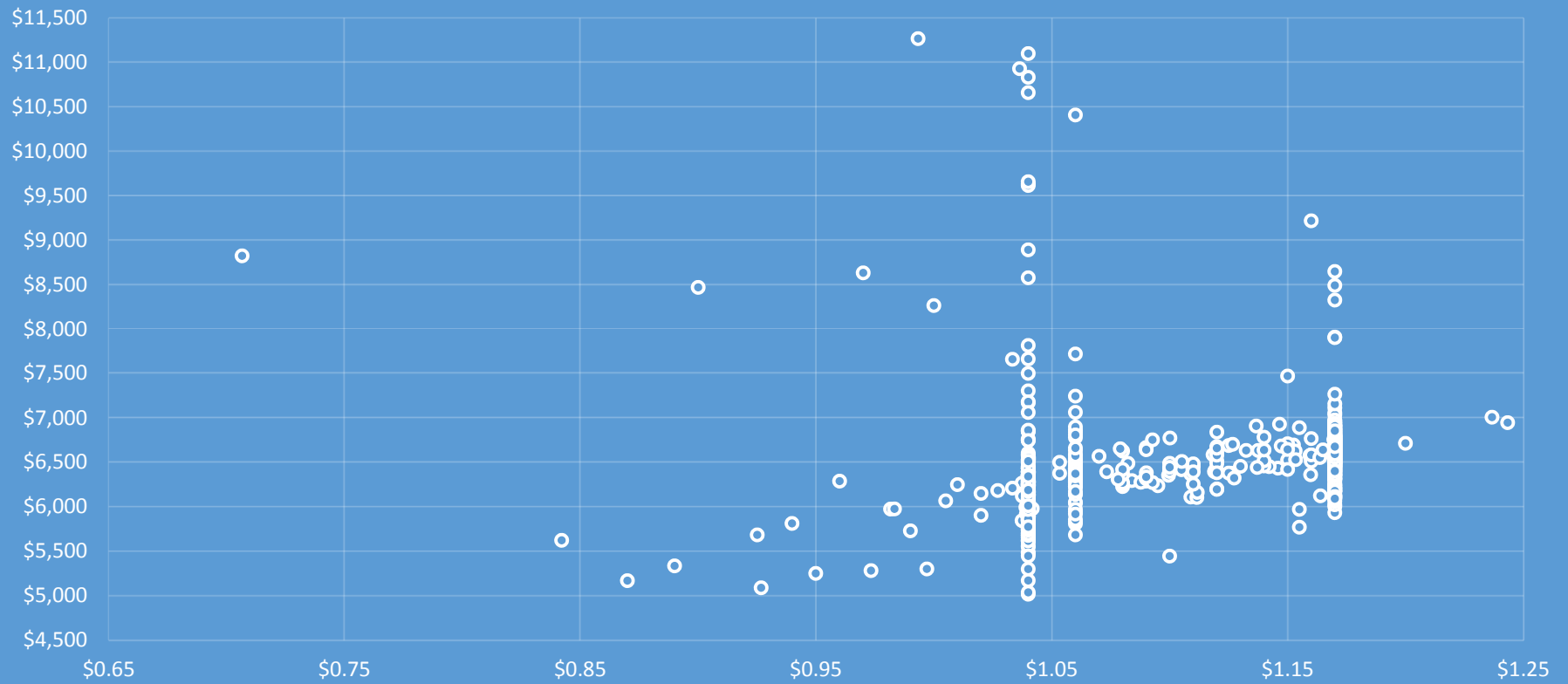
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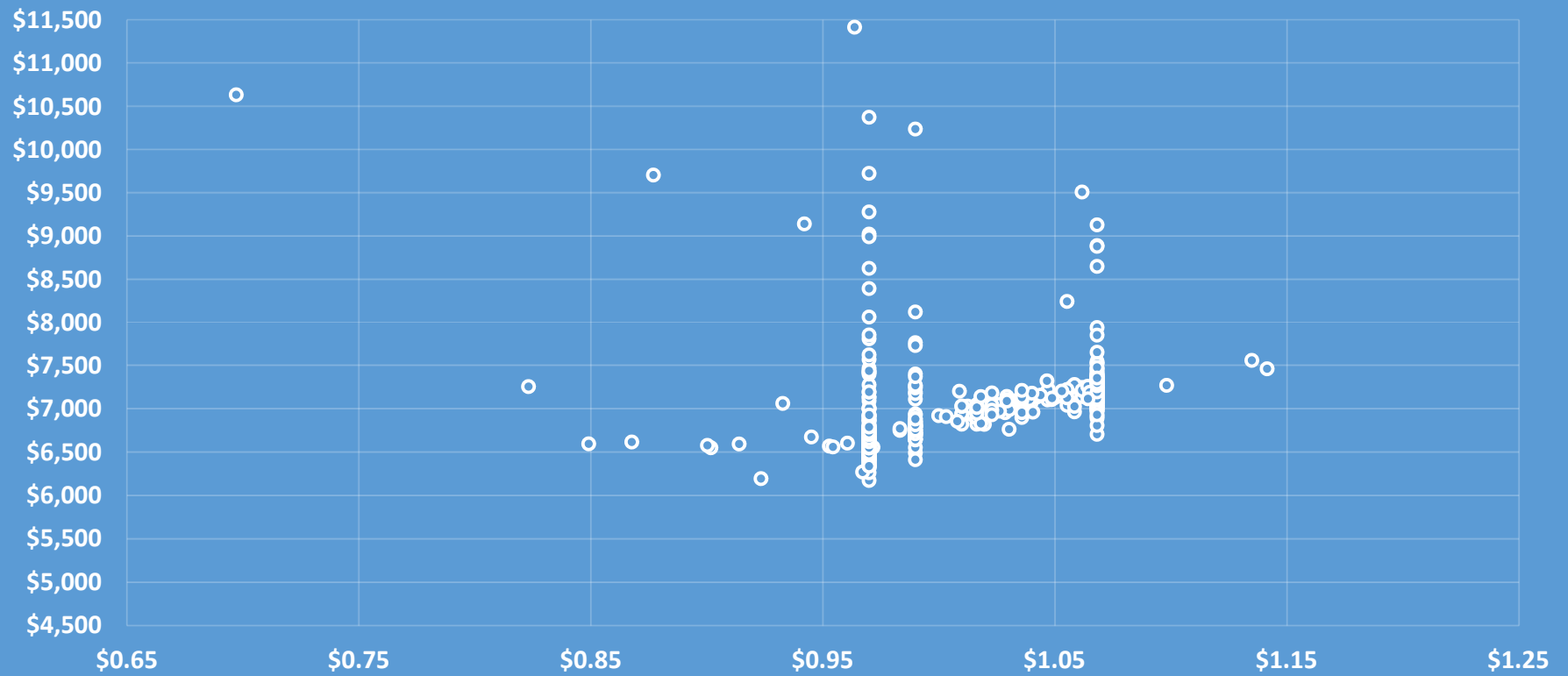
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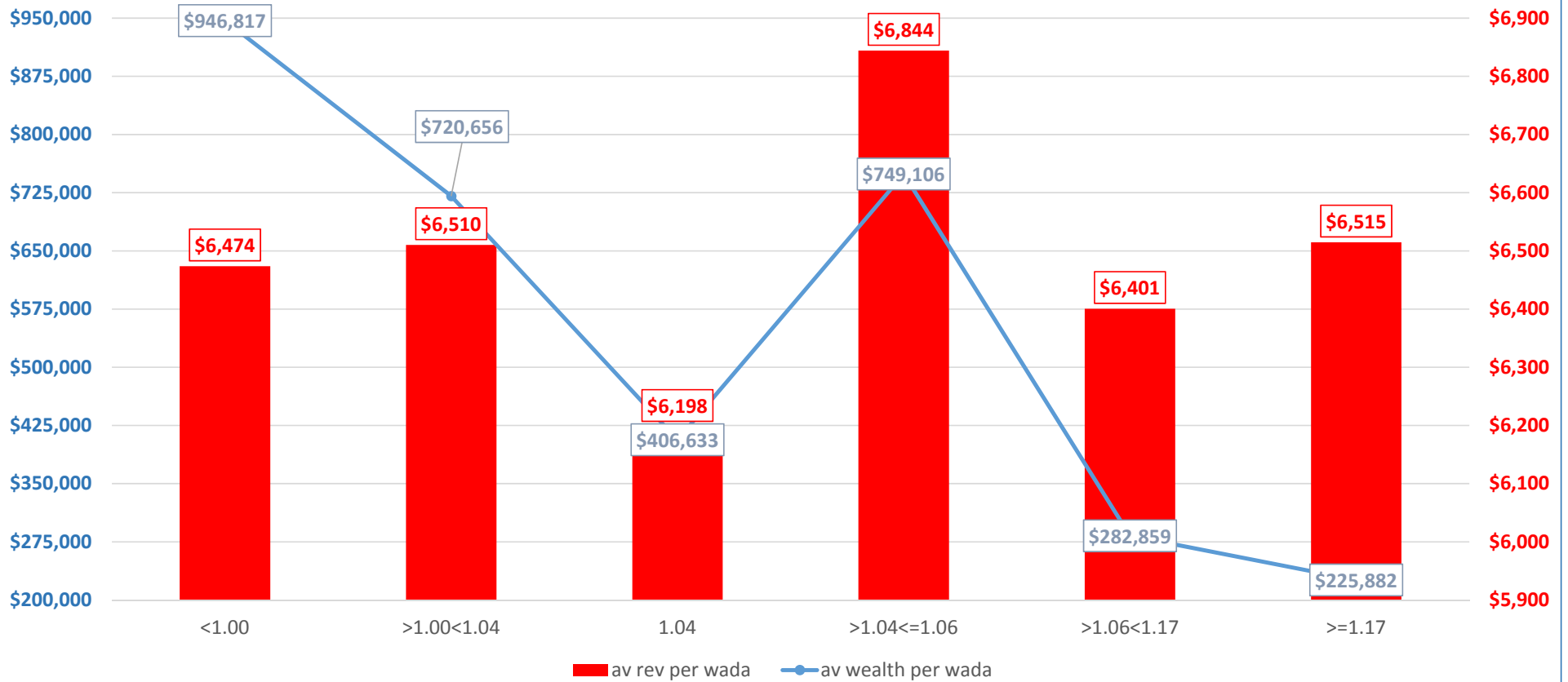
CURRENT LAW FY 20 PROJECTED REVENUE/WADA BY ADOPTED TAX RATE



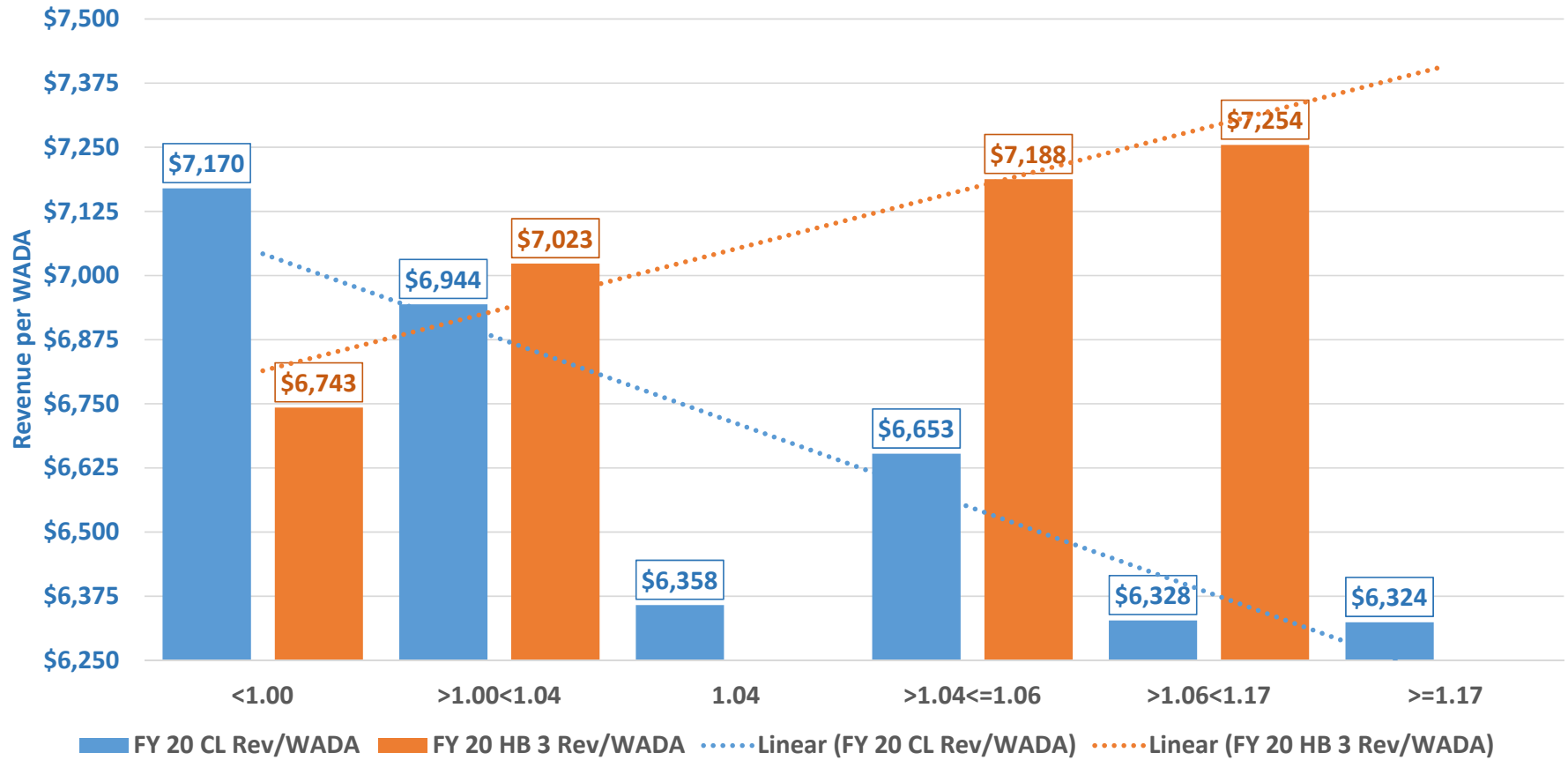
HB 3 FY 20 PROJECTED REVENUE/WADA BY COMPRESSED TAX RATES



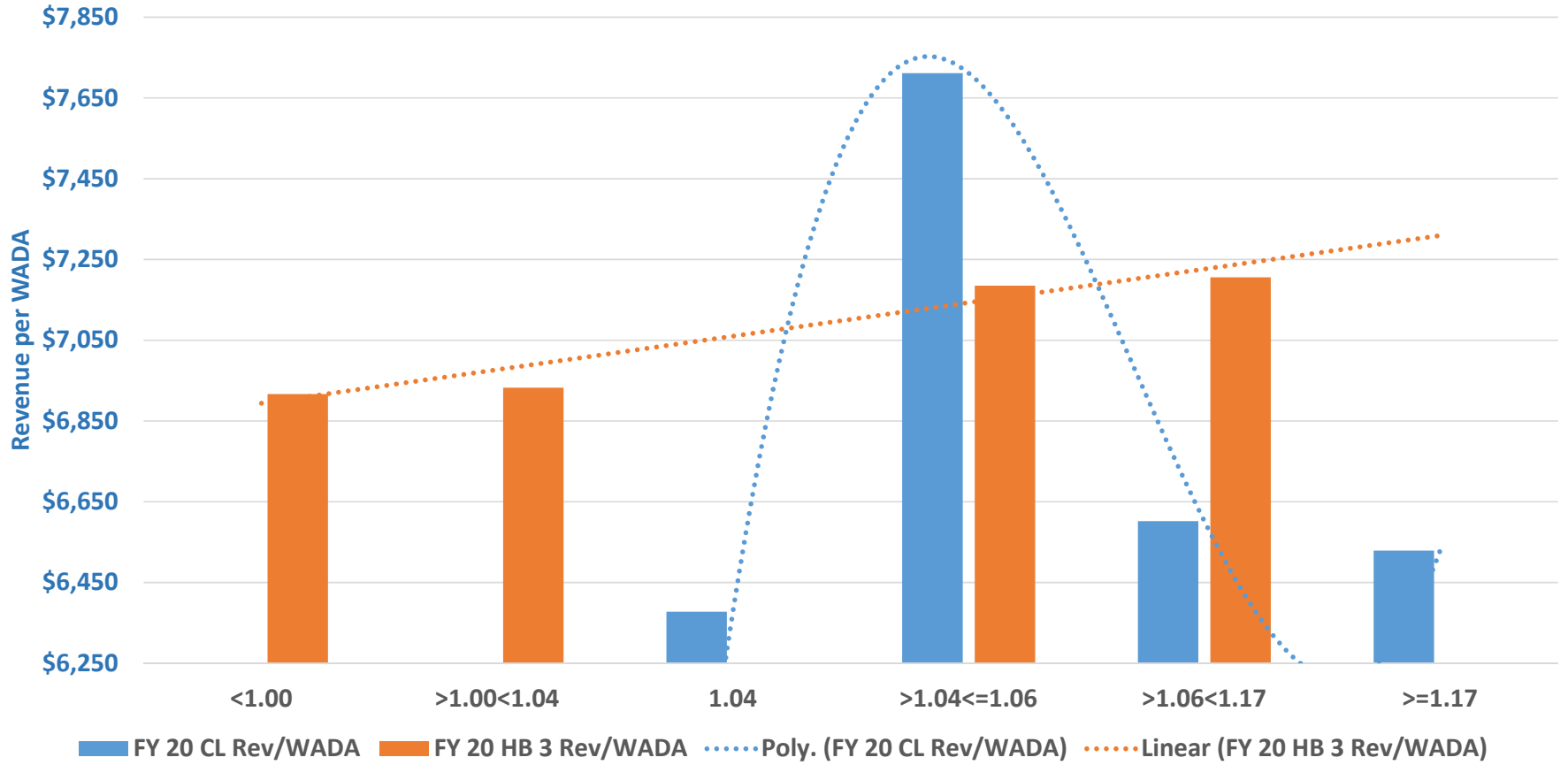
FY 18 Near Final--Average Revenue per WADA & Wealth per WADA per M&O Tax Effort



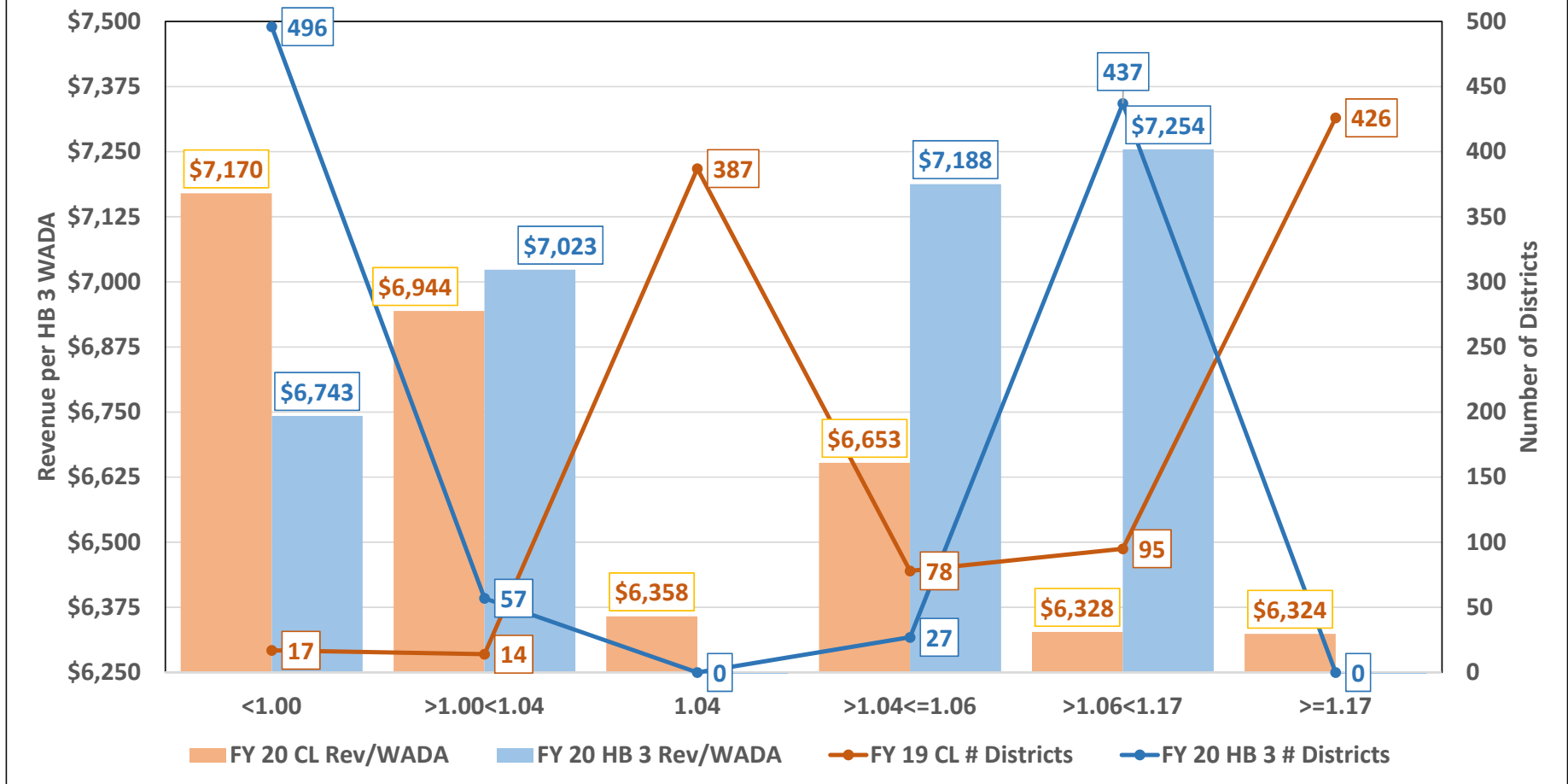
HB 3: Correcting the Equity Trends for FY 20



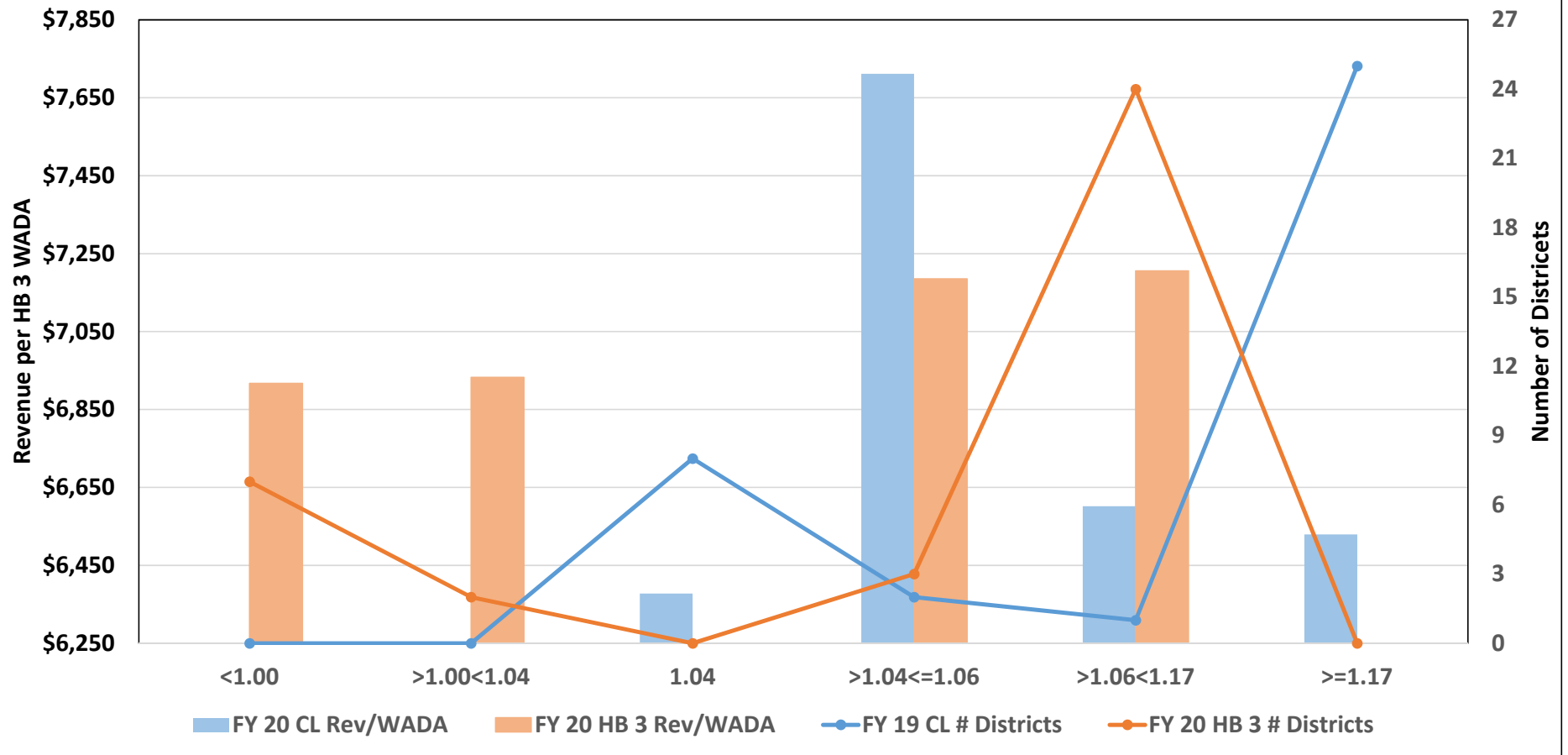
HB 3 Equity Trends FY 20 Region 1



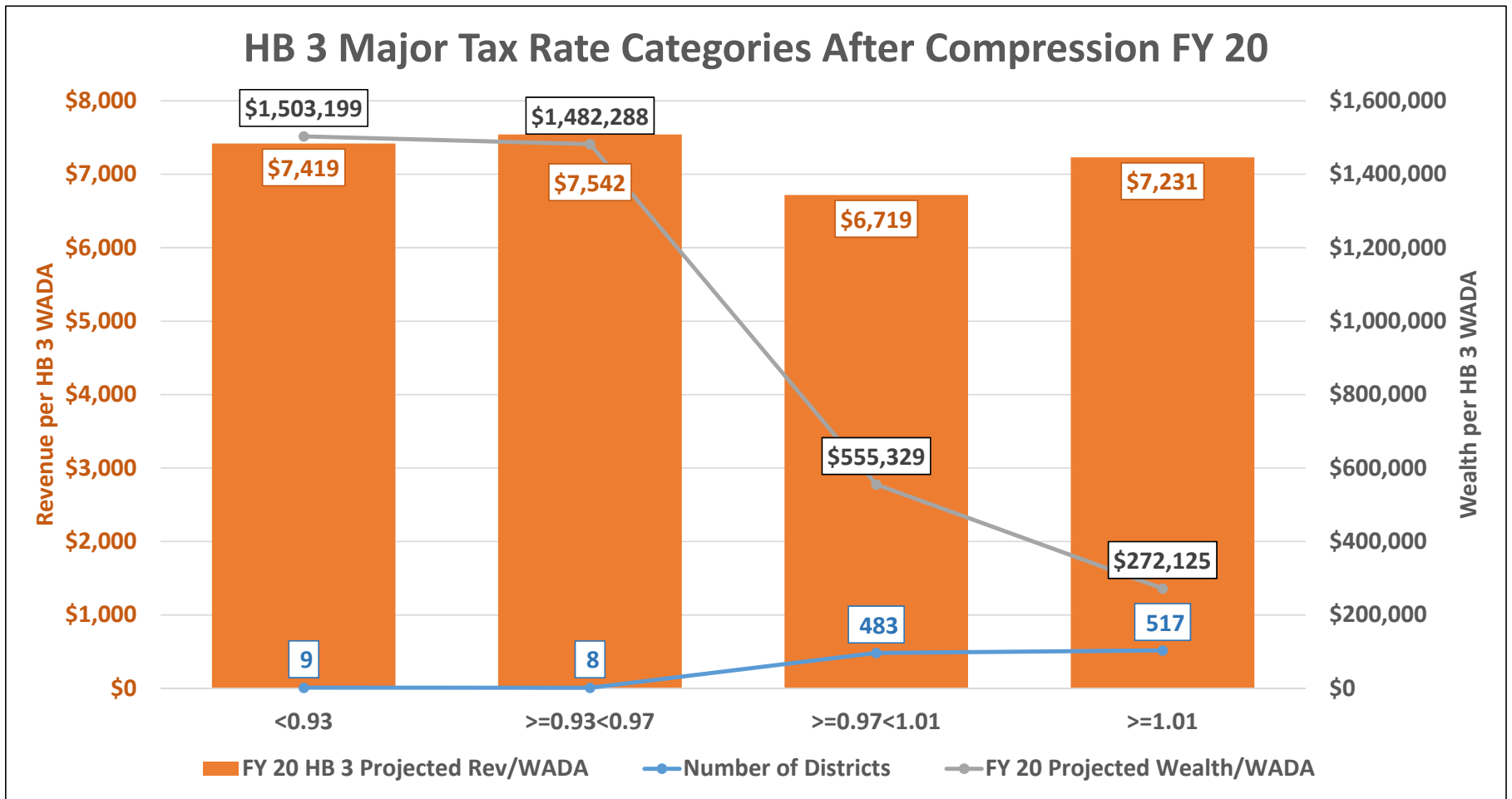
Comparative Equity Between Current Law & HB 3 FY 20



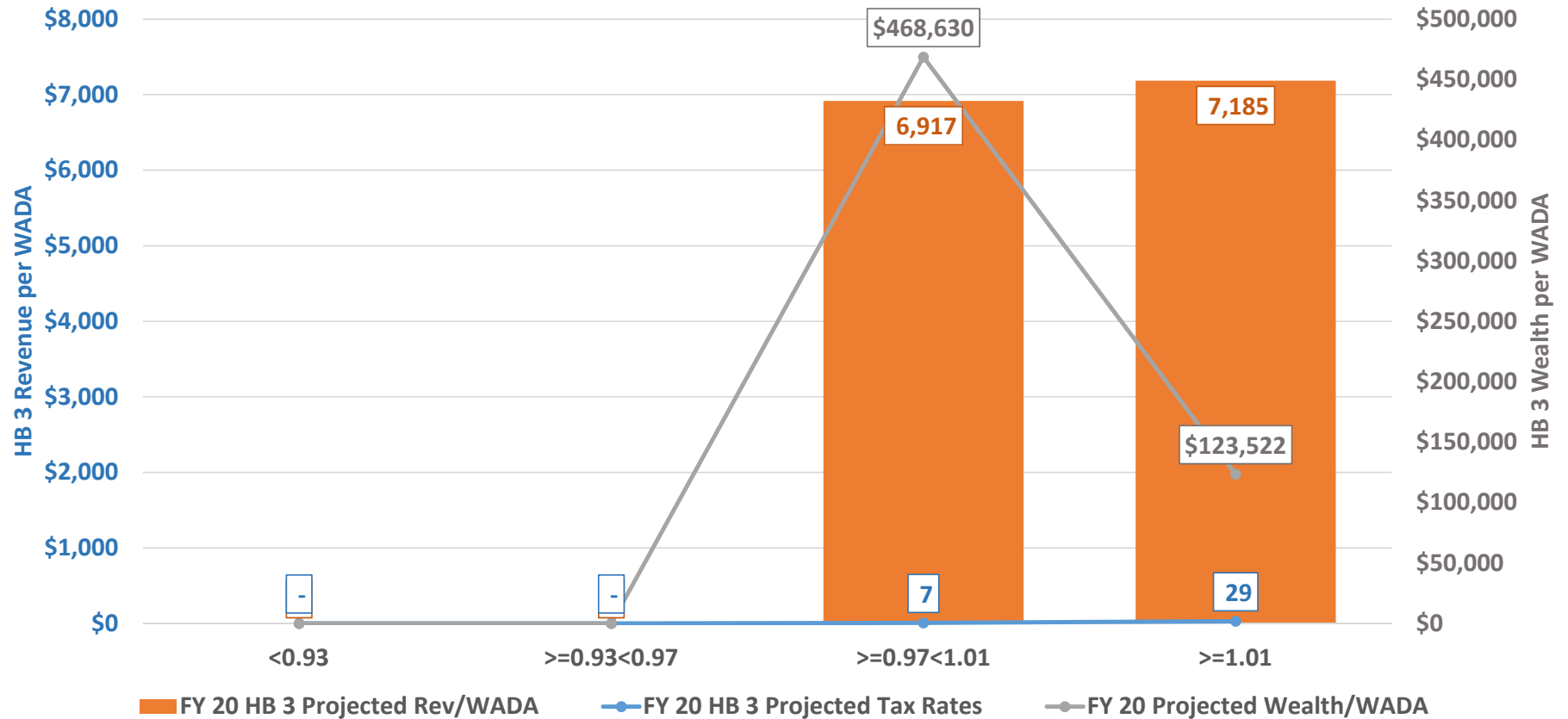
Comparative Equity Between Current Law & HB 3 FY 20



HB 3 Major Tax Rate Categories After Compression FY 20



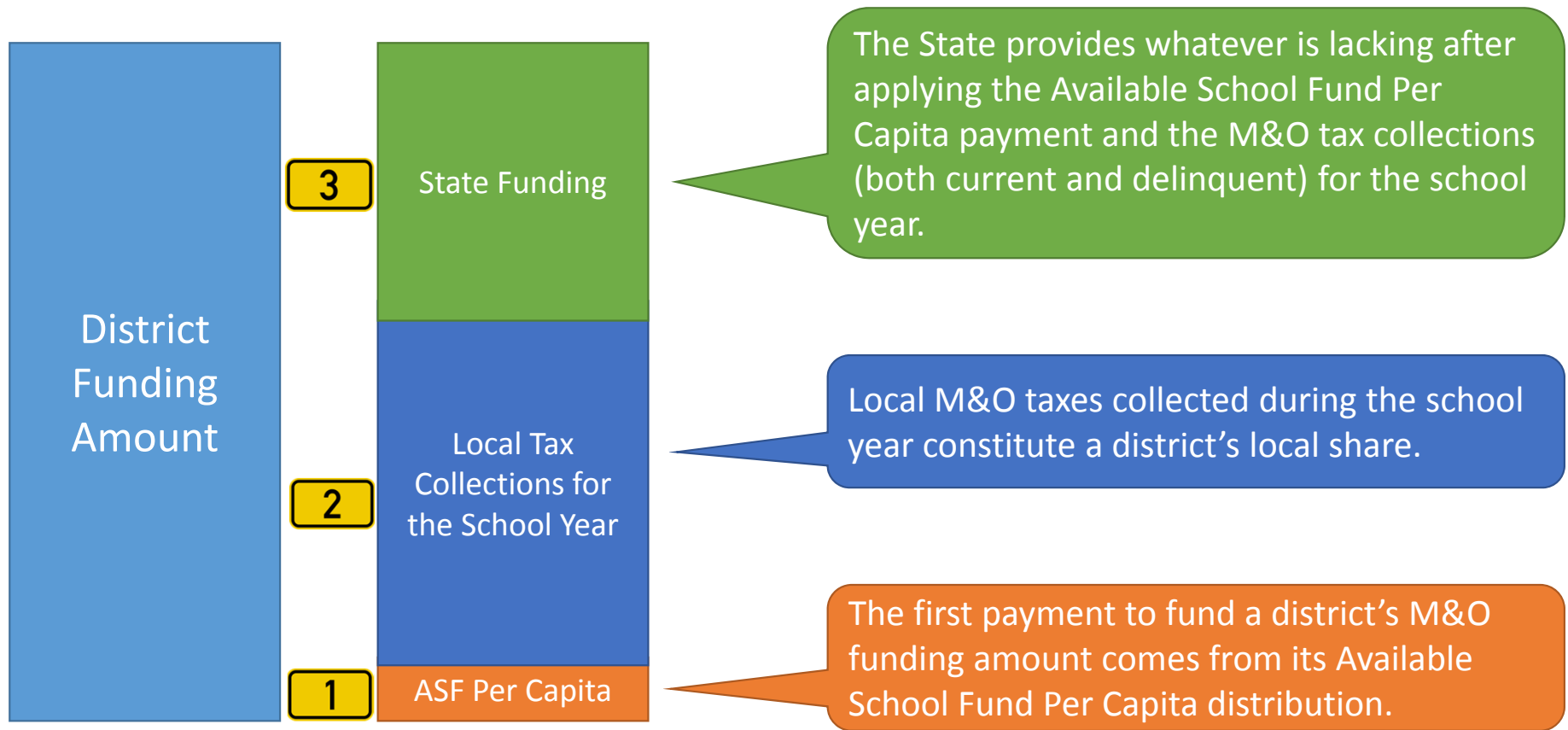
HB 3 Major Tax Rate Categories After Compression FY 20 Region 1



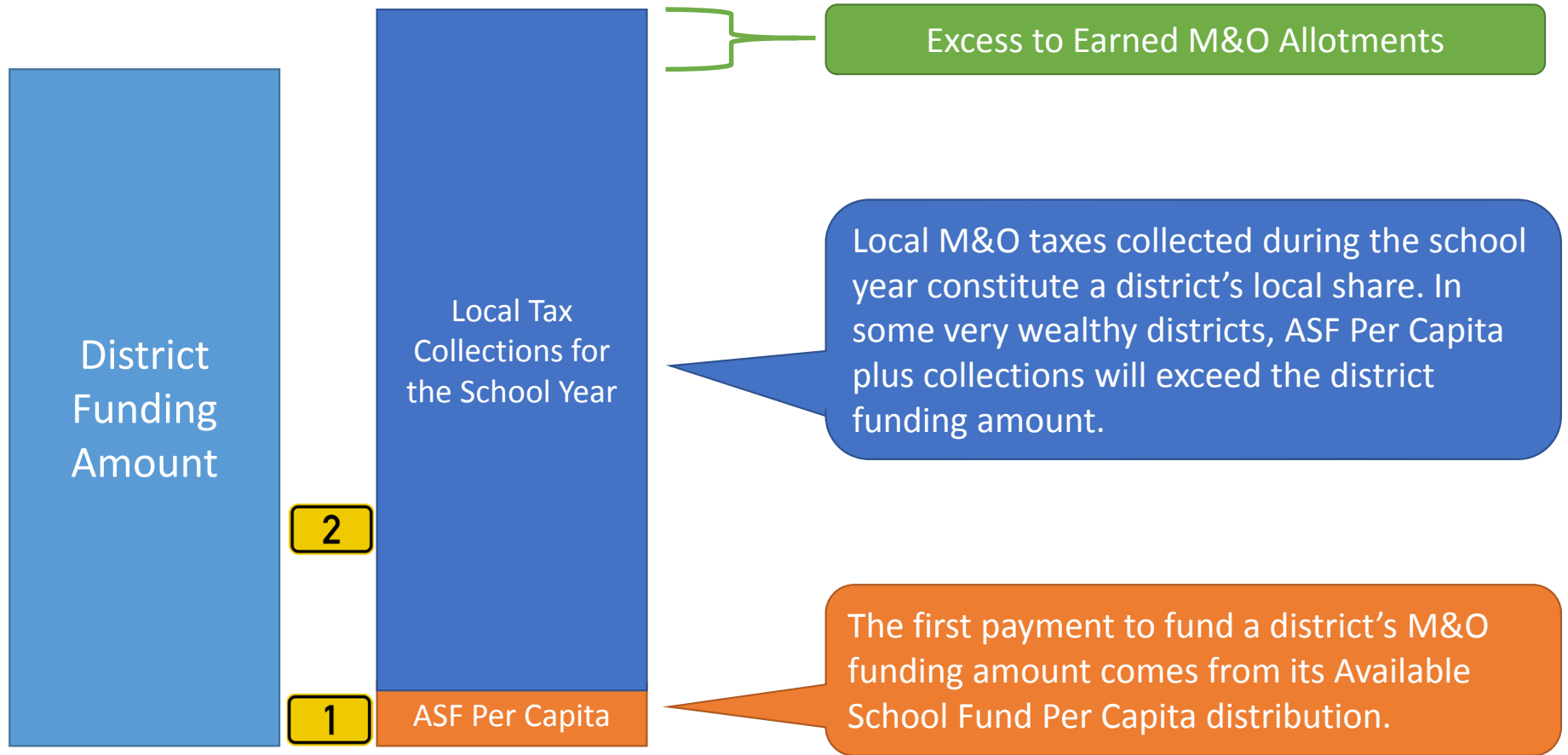
Future Equity Concerns

- Tier 2 Golden Penny Yields
- Future District x District Tax Compression
- Need to Move to Current Year Collections to Guarantee “all” districts receive full Tier 1 Entitlements
- Make sure 5 year long “Transitions” don’t become permanent Hold-harmlesses
- Involvement in new “CEI” study
- Eliminate last minute Exceptions for certain Districts
- Work to Equalize I&S funding

Determining State/Local Funding for M&O



Determining M&O “Excess” for Property Wealthy Districts



The Plan is based on these basic elements

- All districts are funded alike
 - All school funding elements are in Chapter 42
 - No funding elements in Chapter 41
 - There are NO Chapter 41 and 42 districts
- One Basic Allotment for everyone – AND it applies to all pennies of tax rate from \$0.01 through \$1.17
 - There is only one tier, with all 117 pennies funded at the same level
 - No Guaranteed Levels
 - No Equalized Wealth Levels
 - No Tier 2, Golden or Copper Pennies

The Plan is based on these basic elements

- No prior year value surprises or inequities
- Guaranteed revenue – no tax collections surprises
- WADA is calculated by a much simpler formula
 - No funding is determined by WADA calculations
 - WADA is only used for equity measurements
- Collections do not determine funding
 - It is a stable system based on the needed funding level, not the state of a district's economy
- No convoluted recapture calculations that no one understands
- Everyone treated the same for ASF Per-Capita and Transportation

Efficiency Savings

- The plan eliminates inefficient, **non-cost based elements** from the current funding system
 - This creates **efficiency savings** that can be used to address important funding issues in ways that **benefit all Texas' children and taxpayers**
- High School Allotment
 - Staff Allotment
 - Early Agreement Credit
 - 1993 Wealth Hold-harmless
 - Hardship Grant
 - Property Value Decline Funding
 - Prior Year Values
 - Tier 2 Golden/Copper Pennies
 - Per Capita Double Dip
 - New Instructional Facilities Allotment
 - Gifted & Talented Allotment
 - Public Education Grant