

Region I Finance Council School Finance Update

October 14, 2011

Agenda

- Litigation Update
- School Finance Data
- Other School Finance Issues
 - MCA Survey on Staffing
 - TCEQ Pollution Control
 - Education Jobs Act
 - Smoothing

Litigation Update

Litigant Groups

- The Texas Taxpayer and Student Fairness Coalition
- The Fort Bend plaintiffs
- MALDEF Potential
- Chapter 41 Potential

Arguments

- Suitability / GDK
- Equity
- State Ad Valorem Tax
- Rationality

Suitability / GDK

- How good does our education system have to be to meet the general diffusion of knowledge standard of the Texas constitution?
- Is the cost of adequacy under the current system a suitable subject for judicial determination?
- How do the evolving state standards work into the equation?
- Do the outdated cost measures impair the adequacy of the system?
- Equity component to adequacy claim.

Equity

- Is the degradation of system equity since 2004 severe enough to warrant court intervention?
- What weight does the state commitment to eliminate target revenue by 2017 have?
- Should the yield for debt service be included in the court's analysis of tax equity?
- Given the standard of equity up to the GDK level, should the lack of recapture for a portion of "enrichment" be considered?

State Ad Valorem Tax

- Do the revenue reductions of the 2011 Legislature offset the "meaningful discretion" afforded by \$1.17?
- Do districts at \$1.17 have meaningful discretion to enrich?
- Should the effective combination of limited voter appeal and the potential for recapture be considered in the analysis?
- Presented from multiple wealth perspectives

Rationality

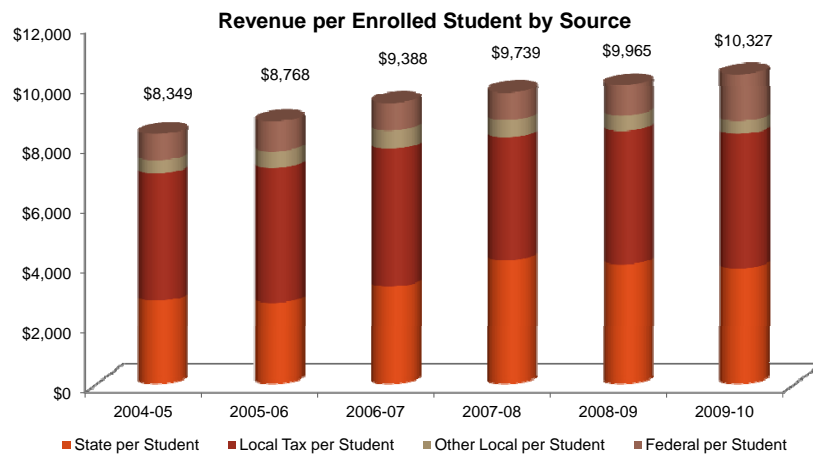
- Does a separate but unequal funding scheme constitute “suitable” and “efficient” provision?
- Does the use of 1980s’ weights and adjustments provide the state with a rational basis for funding public education?
- Are the state long term commitments to adjust standards and financing sufficient?

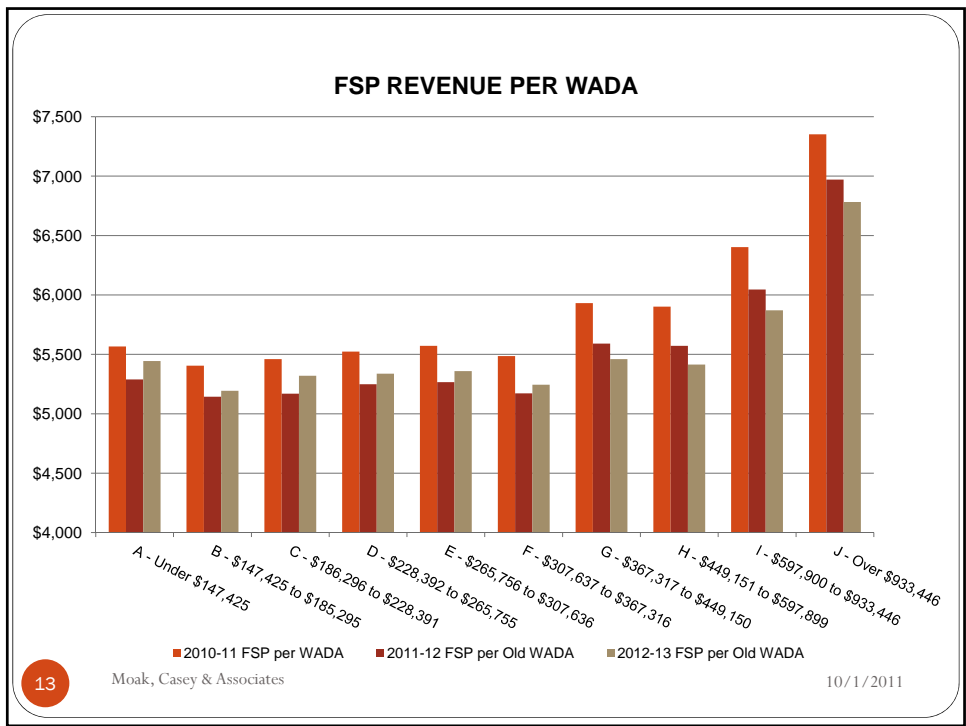
Other Litigation Observations

- Constitutional challenges as an element in a larger debate
- Proclivity of the court to grant state discretion in all but clear “out of bounds” situations
- Need for a clear constitutional priority for public education funding
- Beware of the request

School Finance Data

Growth in Revenue 2005-2009





Other School Finance Issues

MCA Survey on Staffing

- Growing perception that funding cuts did not occur or did not have an impact
- MCA report on defining the funding cut
- How survey will be used

TCEQ Pollution Control Issues

- 1993 constitutional amendment permits tax exemption for pollution control at plant sites
- Valero requested exemption for equipment needed to produce cleaner fuel as required by EPA
- TCEQ: not taken final action on 2007 appeal
- Potential tax refunds are an issue
- Expansion of exemption may call for placing authority in hands of local taxing units

American Jobs Act

- Teacher stabilization
 - \$30 billion nationwide
 - \$2.2 billion for Texas
 - Allocated 60% in proportion to enrollment, 40% in proportion to Title I
- School Modernization
 - \$25 billion nationwide
 - \$2.3 billion for Texas
 - Two categories of districts
 - Allocated in proportion to Title I

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10/1/2011



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