



Texas Association of Community Schools

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October 6, 2016

TACS LEGISLATIVE UPDATE

Last week, on September 28th and 29th, the House Public Education Committee and the House Appropriations Committee met jointly to discuss school finance. It was LONG. Sometimes it even got confusing. But, there was fantastic discussion of solutions and there was evidence of a sincere wish by members of the Texas House of Representatives to understand and repair what is broken with the Texas school finance system. Sadly, both committee chairs, Representative Jimmie Don Aycock and Representative John Otto will not be at the capitol next session as they are both retiring. They are smart, knowledgeable, and they have both been good friends to public education. Chairman Otto, and many others, repeated over the course of the 2 days, that the basic allotment would be the best place to put additional funds, as it would increase equity, reduce recapture, and reduce the number of ASATR districts. However, there is general acknowledgment that this will be a belt-tightening, not a funds-a-flowing legislative session. Perhaps most troubling is that the House's concern and support for public schools that was demonstrated at these hearings is not shared by the Senate, which appears to be more focused on demonizing public schools and scheming ways to use public funds for private and home schools. Now that I've set the stage for you, I'll give you some more details on what transpired.

Wednesday's hearing started with an overview of the school finance system. Von Byer, General Counsel of the Texas Education Agency (TEA), reported on the results of the school finance lawsuit. He reported (as we all know) that the Supreme Court found the system "constitutional" and that while the legislature is welcome to make changes, it is not required to do so. Aaron Henricksen, an analyst for the Legislative Budget Board (LBB), went into technicalities in the system which left me and many others wondering if he was speaking Greek. Dale Craymer, President of the Texas Taxpayers and Research Association, was also on the panel of invited testimony. What was most notable from this segment of the hearing was that Chairman Otto acknowledged that the state has been depending on local property taxes to fund public education, and as those taxes rise, the state has been paying less and less. In fact, he stated (several times over the 2-day hearing) that the state has benefited \$14 billion dollars over the last 10 years from rising property tax values. He was very vocal in discussing this shift from state to local districts to fund public ed. Mr. Craymer from the Taxpayers Association actually agreed on this. He essentially said that as long as the state is taking advantage of local property value increases, spending limits at the state level don't mean anything to him. Taxes are taxes and he too was aware of the burden being shoved to the lower levels to make the state look good. Ironically, at the same time, in the Senate, in hearings led by Senator Bettencourt and supported by Lieutenant Governor Patrick, Senators were expressing outrage at the growth in local property taxes and making demands that they be reined in. While I wasn't at that hearing, I am confident that they didn't propose that the state pick up their fair share (and then some) to fund public education. Quite an interesting and troubling dynamic at play! Can you say "politics?"

The next topic was Additional State Aid for Tax Reduction (ASATR). Henricksen, from the LBB gave some background about the program. His testimony and that of several superintendents was that not all of the districts receiving ASATR are property wealthy and that the way to get them off of ASATR is to increase the basic allotment. Dr. Jeremy Lyon, Superintendent of Frisco, and Joe Waldron, Superintendent of Lefors ISD, were on the panel as was Carlos Nieto, Trustee of Presidio ISD. They all testified about the severe consequences they will face by losing ASATR and they agreed with Representative Larry Gonzales who pointed out that the legislature didn't keep its promise that "no one would be harmed."

Recapture was up at bat next and some lively discussion ensued. Mike Lunceford, a Houston ISD trustee was among the invited panelists. The recapture issue is on the top of many people's minds since this year Houston ISD will be sending money to the state for the first time. Mr. Lunceford explained that HISD is the largest district in Texas

and the 7th largest district in the country. They educate over 215,000 kids at 287 campuses. Nearly 80 percent of those kids are economically disadvantaged and one third are English Language Learners. In spite of that, because of rising property taxes, and dropping enrollment (in great part a result of the charter movement), they will pay \$162 million in recapture this year. Meanwhile, their kids are hard to educate, cost more as a result of changing demographics, and the formulas haven't changed for decades.

He offered some specific ideas (in addition to the old...add money).

1. Stop including home values that aren't taxed (20% homestead exemption) in the measure of property wealth.
2. Provide transportation funding to chapter 41 districts.
3. Allow districts that provide full-day pre-K to count those students as full day so they will generate the appropriate WADA and help offset those costs.

Quite some time was spent discussing Houston's upcoming recapture election and what might happen if the voters decide against it. TEA discussed how they would have to start determining property values and reallocating them for tax purposes to other districts.

Austin's story is similar, and it is the largest payer of recapture in the state. Nicole Conley, CFO of Austin ISD explained how skyrocketing property taxes in Austin are creating a variety of problems. People are being taxed out of their homes and pushed into surrounding school districts, causing declining enrollment and higher recapture payments. Austin can't afford to pay a competitive wage and teachers can't afford to live (or work) in Austin. They have the highest cost of living in Texas, but one of the lowest Cost of Education Index adjustments. AISD pays social security, gets no money for transportation, and pays for full-day pre-k. Meanwhile, nearly 60 percent of Austin students live in poverty, 28% are English Language Learners, and more than half are considered "at risk". Ms. Conley offered some of the same solutions as Houston, and then a few more. She explained how reduced recapture payments would allow them to invest in vital services and programs for kids including mental health clinics and other interventions that cost far less early on than incarceration or inpatient mental or behavioral care later on. She articulated the duty of the state to provide the funds for these and other vital education services, not local property tax payers.

Both Austin and Houston share the concern that while they are technically "property wealthy", the students they serve are not, and while the costs to educate them increase, weights to do so haven't been updated since the 1980's.

As depressing as these presentations were, despair reached a low point when Randy Johnson, superintendent of Forsan ISD explained his district's situation. They are getting hit on all sides. 1) Forsan ISD is a chapter 41 district and pays recapture 2) It is an ASATR district which faces the impending cliff and 3) It is a mineral-dependent district with declining property values a result of lower prices and oil and gas production. This provided the committees with a real live example of the worse case scenario that our current system has created.

The last issue for Wednesday was the Cost of Education Index. Chairman Aycock's proposal last session would have eliminated it altogether, but Dan Casey of Moak and Casey argued that it was worth saving, and that it needs to be updated. He said that the costs of educating students vary regionally and that an updated CEI would be of value. Chairman Aycock expressed concern that it might take another 20 years to update the CEI and that perhaps funds would be better spent directly into the basic allotment. Doug Rice, Superintendent of Kelton ISD talked about the importance of maintaining the small school adjustment and the challenges of being a small district in a very large geographic area.

What these three presentations really pointed out was that everyone is hurting. Big, small, rich, not so rich, the state isn't doing what it needs to do to fund public schools. The demographics of the state have been changing and will continue to do so. The students we have cost more and the state has provided less and less to educate them, while relying on local property taxes.

Thursday's hearing started with a panel on the 5 types of student adjustments: Compensatory Education allotment, Bilingual weight, Gifted and Talented funding, Special Education weights, and Career and Tech weights. This is getting long, so I'm not going to go into great detail on this. Basically, the weights are out of date and insufficient.

94% of school districts spent more than the required comp ed allotment in 2014 as the number of at risk students has increased. Karen Smith, Assistant Superintendent of Business and Financial Services from Cypress-Fairbanks ISD and presenting for TASBO requested flexibility on the 10% allowable expenditures and requested an increase up to 20%. She also would like to see additional funds flowing through the basic allotment.

Marisa Bono from MALDEF gave very compelling testimony on the outdated weight provided for bilingual education. ELLs comprise 18% of the state's student population, which is a million students who speak 120 languages. The weight of .1 was created in 1984 and was not based on any real study of the cost to educate them. She requested an increase in the weight, an increase of funds into the basic allotment and she would like the state to do a study of what it actually costs to educate ELL students.

Michelle Swain from Round Rock ISD talked about the state cap of 5% for funding for Gifted and Talented, although her district has identified 8.8% of its students as GT and statewide the average is 8%. Cynthia Peltier, represented Clear Creek ISD and TCASE and addressed the weights for special ed. She said that the special ed funding system we are using is based on placement, not student needs. She had several recommendations for how to make the system more needs based.

Lastly, Johnny Valhalik, from North East ISD in San Antonio discussed the funding weights for Career and Technical Education. He expressed appreciation for HB5 and the focus on career pathways but suggested that all CT programs should receive the same weight and that they should extend the weights to middle school courses.

The conversation turned to school facilities and the main issues were how fast growth school districts could build more buildings to meet demand given the restraints they face, and charter schools asking for facilities funding. Dr. Jamie Wilson, Superintendent of Denton ISD represented the Fast Growth School Coalition and explained that 8 out of 10 students are in fast growth districts. As property values are rising in these areas, the state is putting in less funds (heard this before?) for facilities. Meanwhile, they are restricted from raising their tax rate and thus how much money they can raise. They had several proposals to help them, which I'm not smart enough to explain!

David Dunn, Executive Director of the Texas Charter School Association, said their main issue is lack of access to facility funding. Especially after hearing how charters are taking students and forcing more urban districts into recapture, there was little sympathy for Mr. Dunn's argument among committee members. Representatives pointed out that the charters sold themselves on being innovative and efficient and that they could operate with less from the state in exchange for fewer regulations. Now, charters want limited regulations AND facilities funding. I believe it was Chairman Otto who suggested maybe ISDs should try to all become charters since they are getting more funding than regular districts where they are operating (since they get the state average) and they have more freedoms. While the legislators were polite to Mr. Dunn, they didn't seem to feel for him and the charter demand for facilities funding.

Lastly, before moving along to the 40 people signed up for public testimony, the final panel presented school finance options for the 85th legislative session. Catherine Clark presented TASB's proposal, which calls for a single-tier, single-guarantee M&O yield system, which would replace target revenue and eliminate all current hold harmless provisions. Chandra Villaneueva from the Center for Public Policy Priorities (TPPP) suggested the school finance system was like a dilapidated house in urgent need of remodeling before it collapses. She suggested the state keep the things that work like weights and recapture, but that they should overhaul the system and bring it up to date. Wayne Pierce of the Equity Center introduced their plan that essentially gives each district the same amount of funding for each penny of its taxes. He said his plan would eliminate hold harmless and funnel that money through the basic allotment. Christy Rome from the Texas School Coalition revisited the issue that several Chapter 41 recapture districts had raised about being property wealthy, but student poor. She recommended the state use the property value growth to invest in the basic allotment, and update and increase weights and adjustments. The spark in this panel was Kent Grusendorf, Director of the Center for Education Freedom at the Texas Public Policy Foundation, and former chair of the House Public Education Committee. His proposal is to take all funds going to public schools and divide them equally by the number of students. Each student would get 8 or 9 thousand dollars. Many of the committee members pushed back, explaining that the cost of educating different students varies widely.

Mr. Grusendorf continued to argue that we are all created equal and that we should value each child equally and spend the same amount on each of them. Rep. Mary Gonzales actively engaged him on this argument, and stressed that we need to fund costs, not people. Several committee members were ready to get into the voucher argument that his approach opens the door for, and Mr. Grusendorf said he thought that discussion was scheduled for a hearing on October 17th. It was a preview of the school finance argument that the “reformers” are using to enable vouchers, tax scholarships, and Education Savings Accounts.

Public testimony went on for hours, and what struck me was that there was a steady flow of superintendents who are working tirelessly to do right by their districts, teachers, and students to provide the best possible education with shrinking resources. There were others testifying (parents who want their schools funded, charters who want facilities funding, and others), but I was extremely proud of both the superintendents who are becoming as skilled as contortionists in Cirque de Soleil in order to educate their students. I was equally proud of the House Public Education and House Appropriations Committees for their time, patience, and commitment to solving the school finance conundrum in the face of uncertain times and uncertain support in the other chamber under the dome.

Regards,

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TACS Governmental Relations