

Texas Education Agency

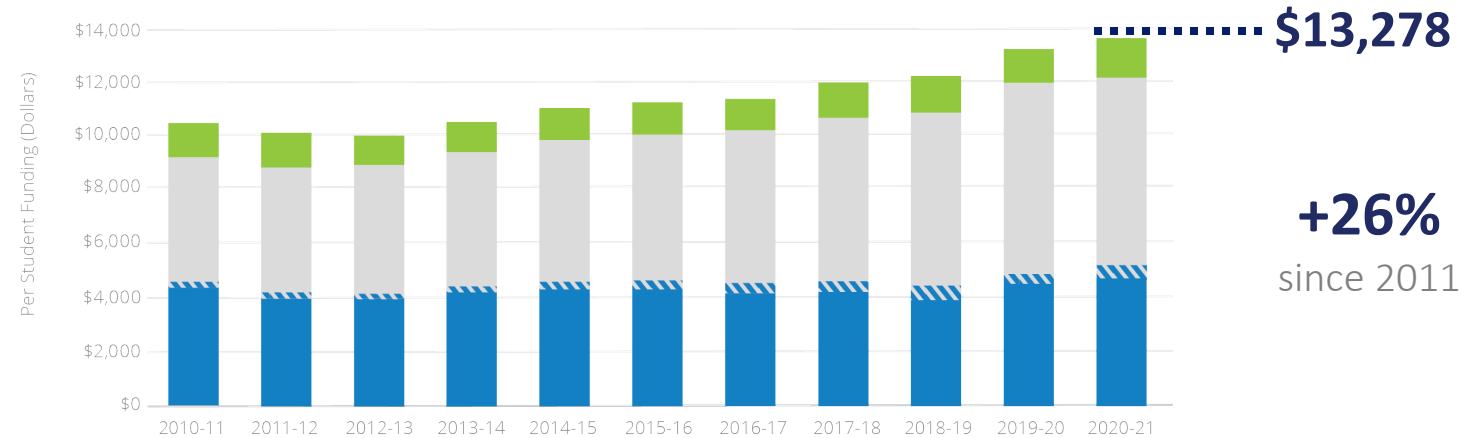
HOUSE APPROPRIATIONS COMMITTEE – 88TH LEGISLATURE

Rider 81. Property Tax Reduction

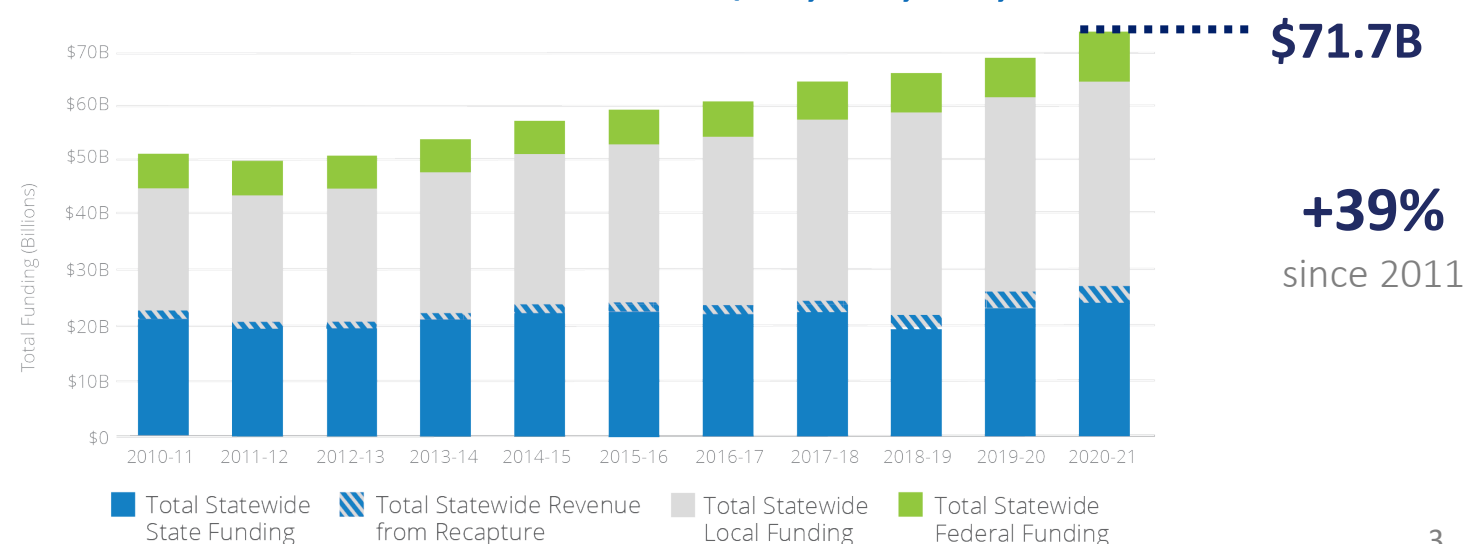
“All-in” funding for public education includes:

- Foundation School Program (FSP) formula funds to school systems to cover their cost to operate (M&O) from a mix of **local property taxes** and **state revenues**
- Debt service funds (I&S), primarily from **local property taxes**
- **Federal funds**, primarily for school lunch, special education, and low-income students
- Direct payments to TRS for teacher retirement from **state revenues**
- Funds to school systems for instructional materials from **state revenues**
- Other grants and supports from **state revenues**

PER STUDENT ANNUAL FUNDING



TOTAL ANNUAL FUNDING: \$71,710,051,834



Foundation School Program (FSP)

This program establishes **how much funding** school districts and charter schools are entitled to.

Statutory formulas (TEC Ch. 46 & 48) consider both student and district characteristics:

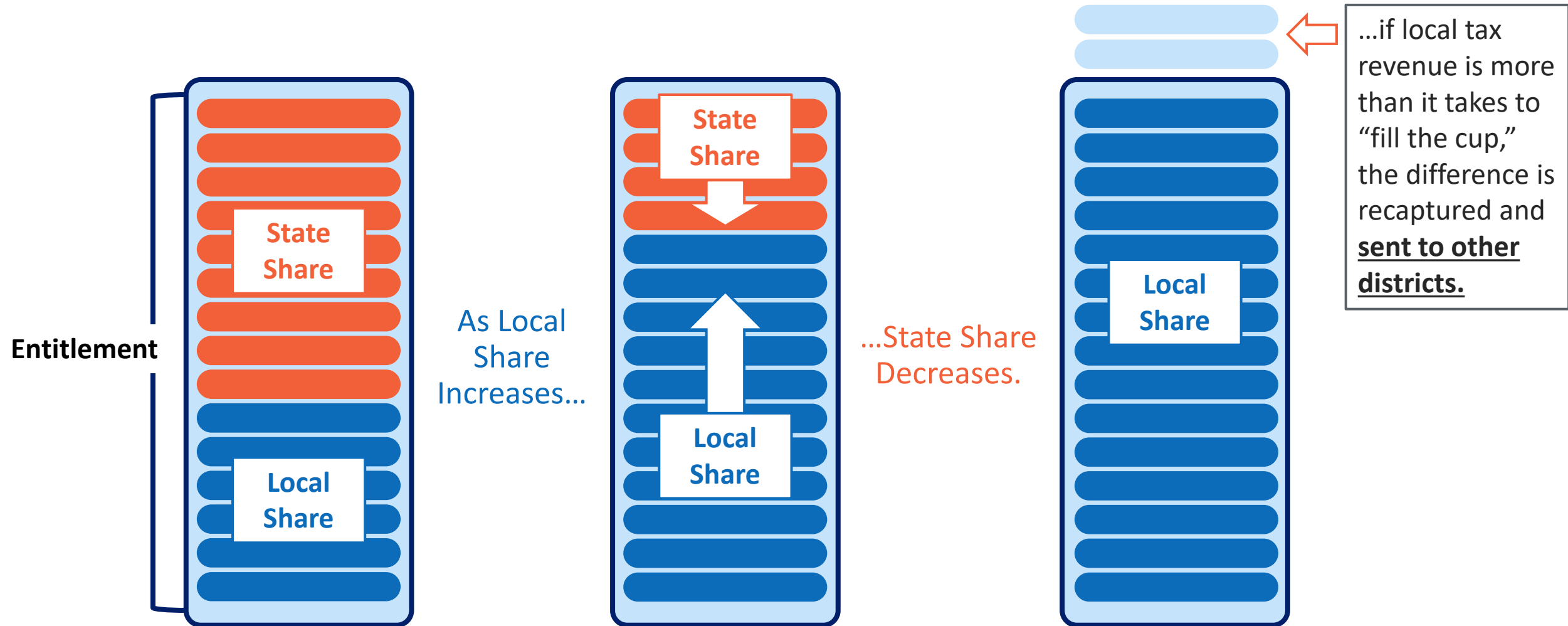
- Number and type of students
- District size
- Local taxable property values
- Tax rates (for Tier I entitlement and for Tier II enrichment)

Foundation School Program (FSP)

In addition to establishing entitlement levels, statutory formulas are used to determine:

- How much a district can generate locally (**local share**) through property taxes, and
- How much will be provided through state funds to complete the entitlement (**state share**), or
- How much **excess local revenue** the district will generate, which will be recaptured and sent to other districts.

FSP M&O Mechanism



Tax Compression under HB 3

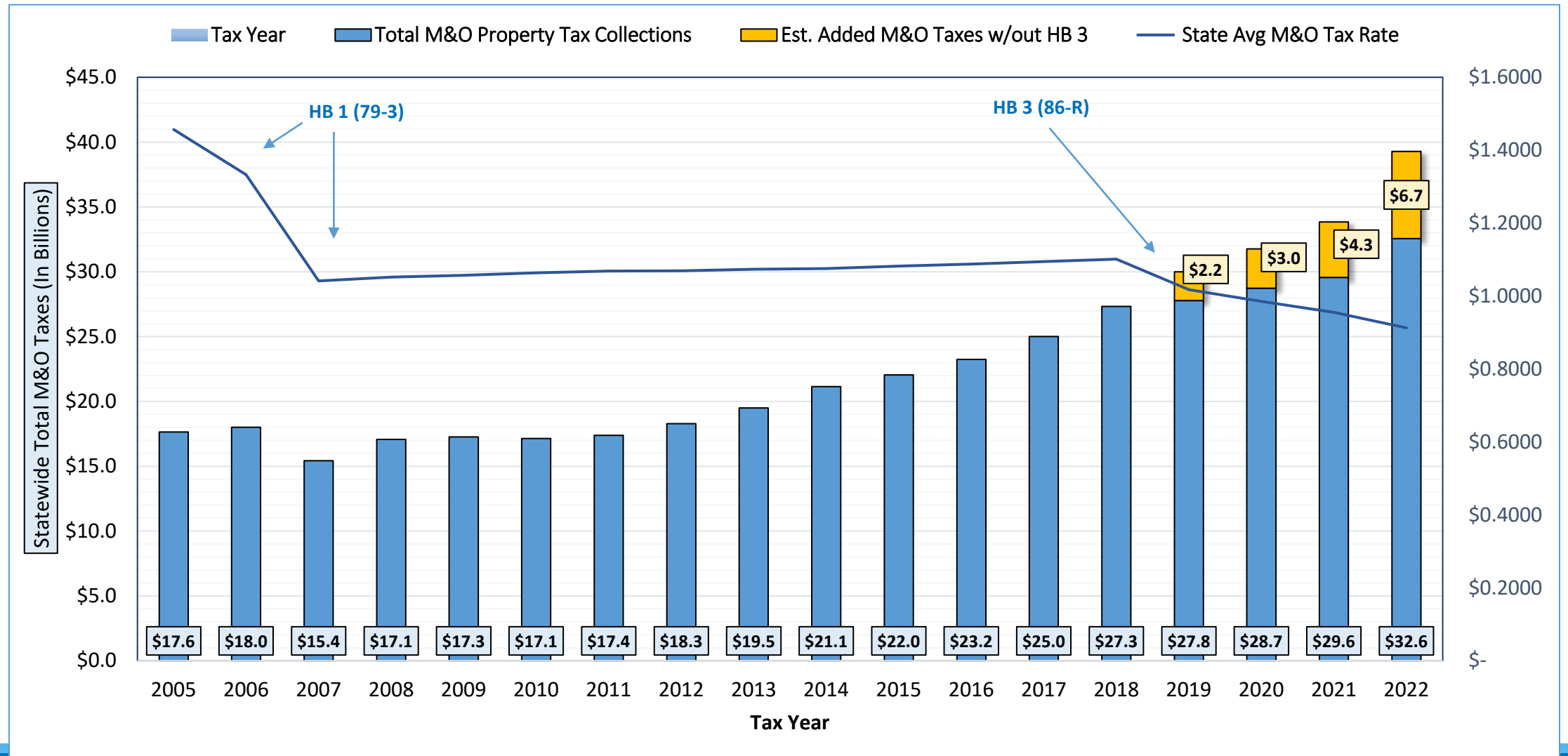
- HB 3 immediately compressed tax rates from \$1.00 to \$0.93 per \$100 of valuation (Tax Year 2019).
- For subsequent years, TEA calculates maximum compressed tax rates (**MCR**) in two ways:
 - State compression: compares estimated statewide property value growth to 2.5%
 - Local compression: compares estimated local property value growth to 2.5%
- Districts receive the **lower** of the state or local compressed rate.
- **No district can have a rate that is 10% lower than any other district ("equity band").**

Compression Example

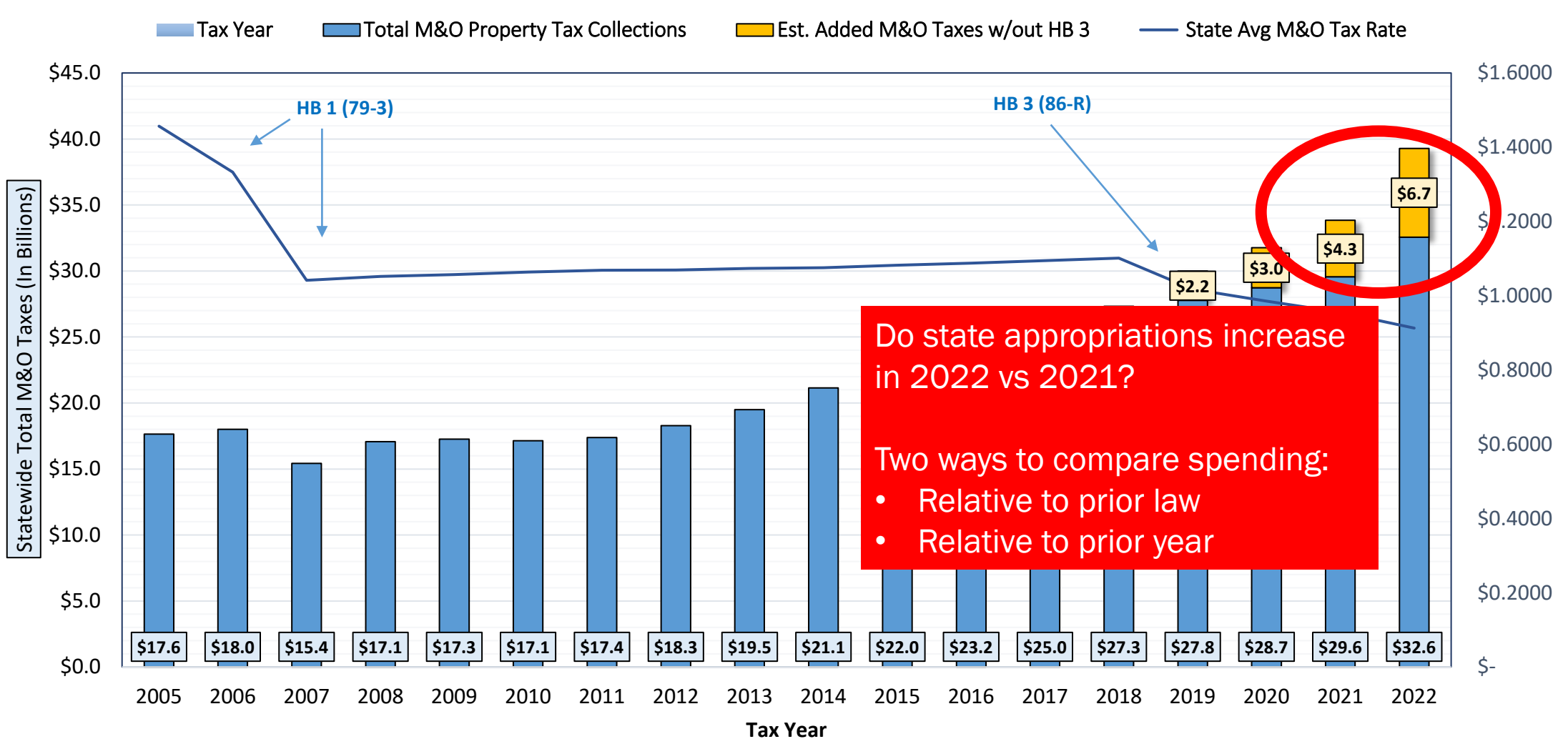
	This Year	Next Year (<u>no</u> compression)	Percent change
Property values	\$700M	\$742M	+6%
Tax Rate	\$0.9134	\$0.9134	No change in rate
Collections	\$6.39M	\$6.78M	+6% ←

	This Year	Next Year (<u>WITH</u> compression)	Percent change
Property values	\$700M	\$742M	+6%
Tax Rate	\$0.9134	\$0.8832	Rate adjusted down
Collections	\$6.39M	\$6.55M	+2.5% ←

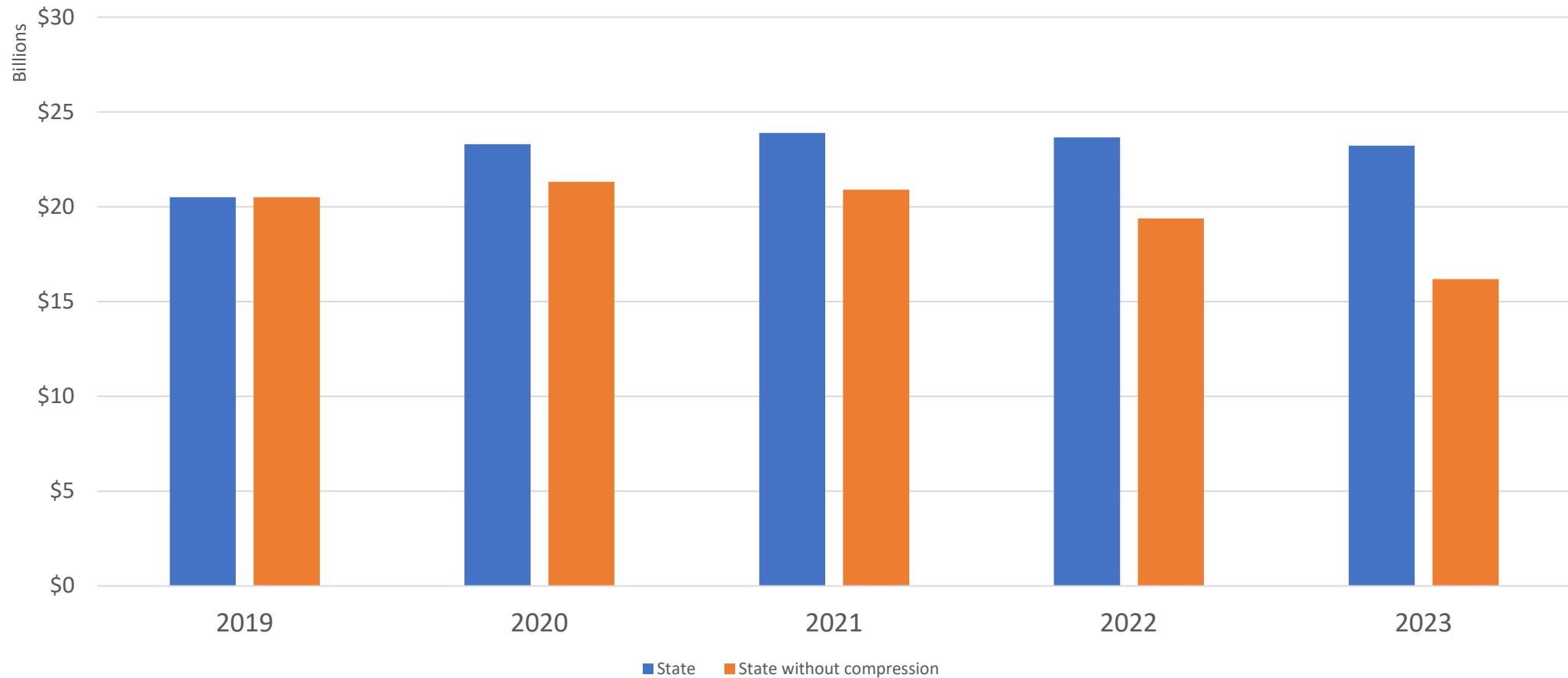
Tax Rates and Tax Collection History



Projecting the Sustainability of Tax Compression

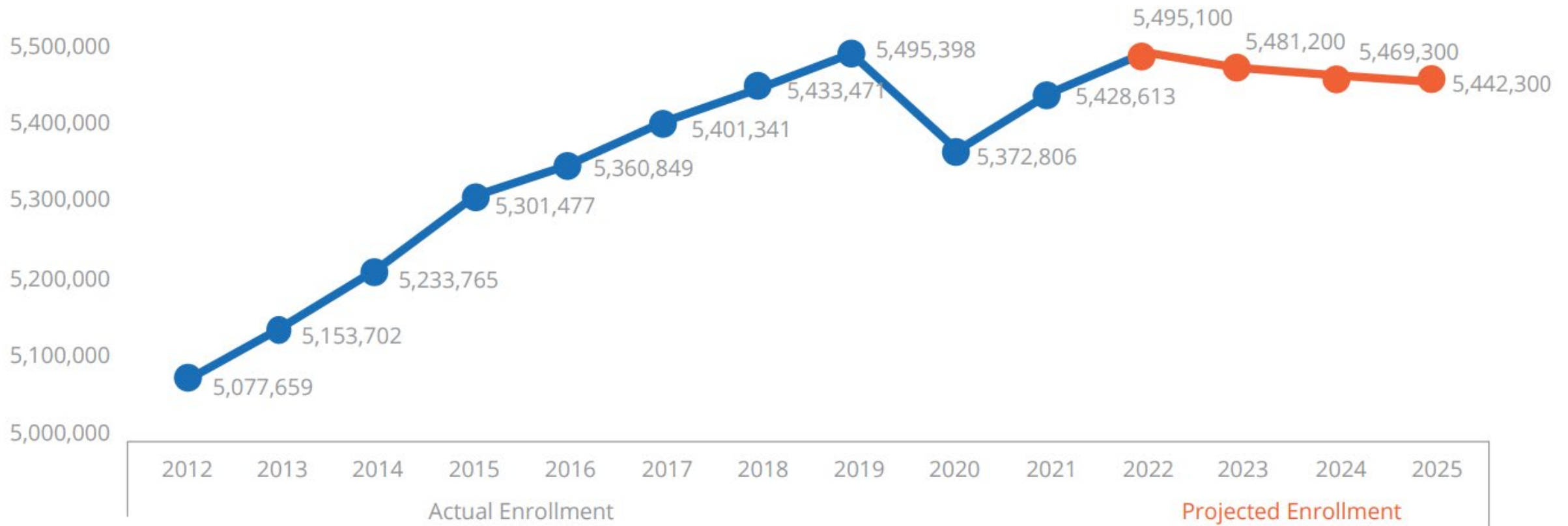


State appropriations for the FSP have not necessarily increased year over year even as property tax rates have been cut, because spending increases are dependent upon enrollment growth



State Appropriations for Public Education

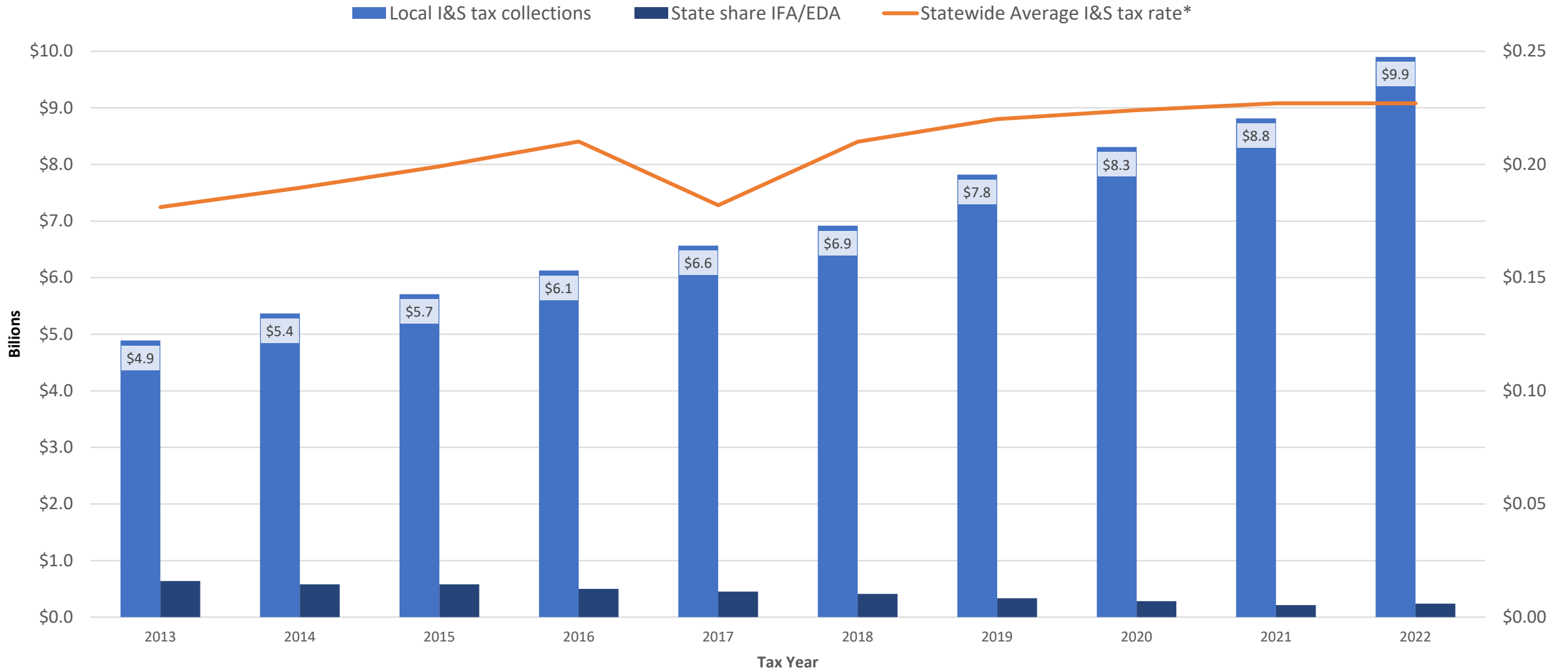
ENROLLMENT TRENDS AND PROJECTIONS



Reminder...

- Tax compression **does not affect the calculation of funding** that a school district is entitled to.
- It only decreases the amount of that funding that is collected through local taxes, as opposed to provided by the state.
- After local taxes are compressed, **the state will fill the gap**, or the district will have less excess local revenue (pay less in recapture).

I&S Funding & Tax Rates



*Statewide average I&S tax rate includes districts without an I&S tax rate

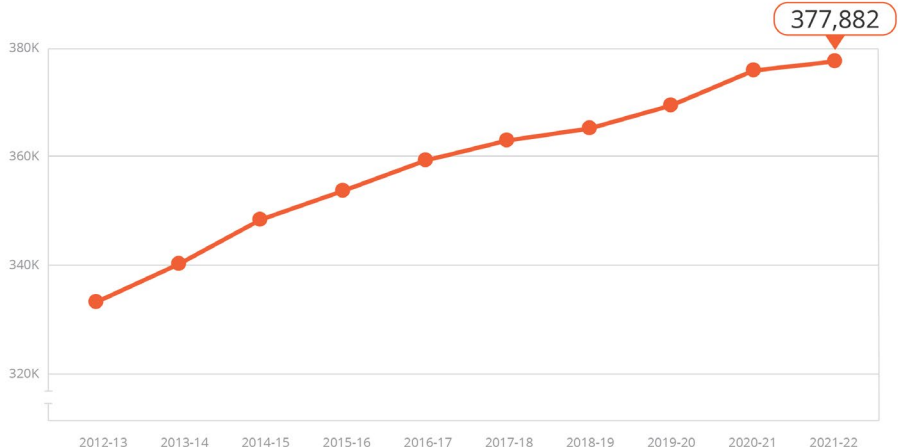
Rider 82. Public Education Funding Increases

82. Public Education Funding Increases. It is the intent of the legislature to provide increased funding for school districts and charter schools. Possible strategies include, but are not limited to:

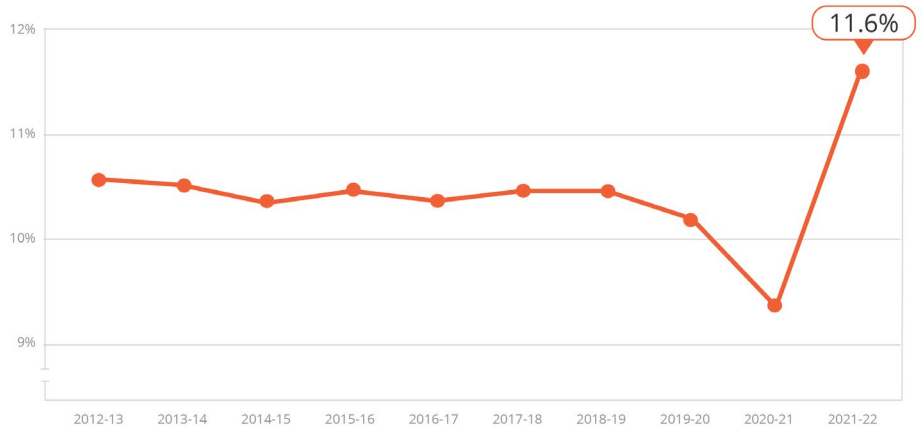
1. funding for increased compensation and benefits for classroom teachers;
2. additional funding for the Teacher Incentive Allotment under Education Code, Section 48.112;
3. increases to the Basic Allotment pursuant to Education Code, Section 48.051;
4. increases to the School Safety Allotment under Education Code, Section 48.115; and
5. increases to the Instructional Materials and Technology Allotment under Education Code, Section 31.0211.

Recruit, Support and Retain Teachers and Principals

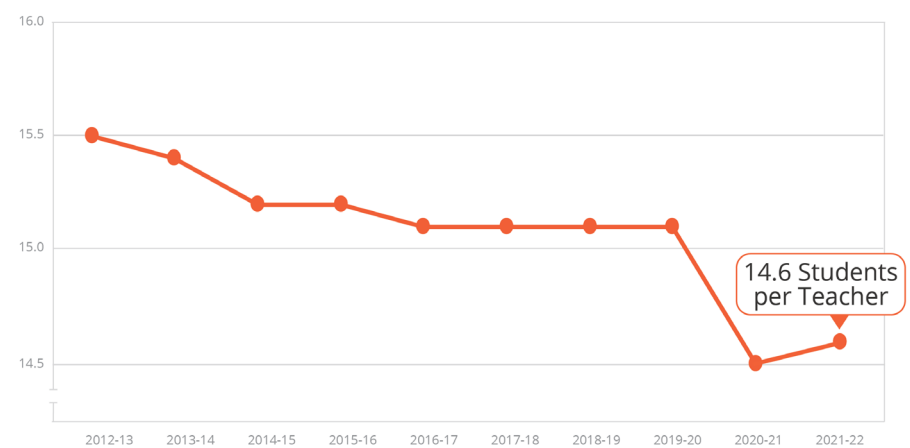
NUMBER OF EMPLOYED TEACHERS



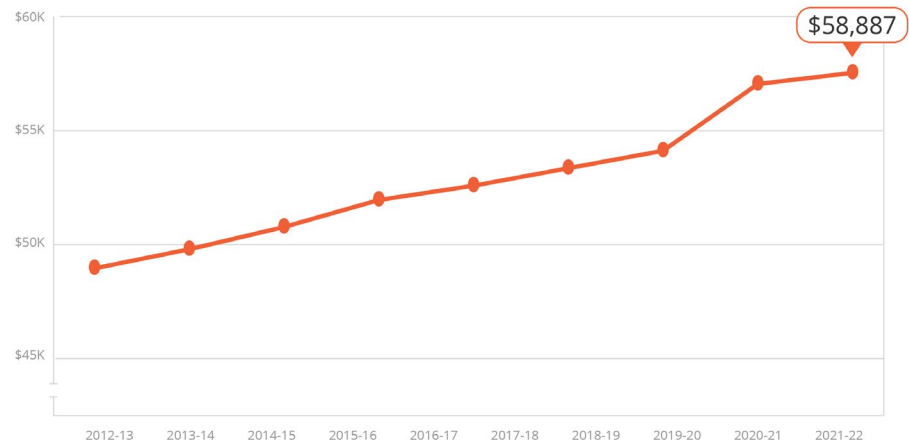
TEACHER ATTRITION RATE



STUDENT/TEACHER RATIOS



AVERAGE TEACHER PAY



Small/Rural Districts have a much lower median salary when compared with other district types, because they must operate with more teachers per student due to small student counts.

TEA District Type	Median Salary	Median Beginner Salary	Teacher FTEs	Average student enrollment	Median Teacher / Student Ratio
Rural	\$51,300	\$40,339	17,140	398	10.5
Non-metropolitan Stable	\$52,924	\$44,000	20,862	1,699	13.0
Charter School Districts	\$53,008	\$47,427	23,525	2,125	15.1
Independent Town	\$53,181	\$45,714	17,050	3,755	13.6
Non-metropolitan Fast Growing	\$53,480	\$44,893	3,319	1,355	12.8
Other Central City Suburban	\$54,862	\$47,386	54,780	4,866	14.0
Other Central City	\$58,704	\$51,810	57,014	21,778	14.3
Major Urban	\$59,457	\$54,363	57,654	80,558	14.9
Major Suburban	\$61,314	\$55,545	118,413	21,878	15.0

TIA Projections



	2022-23	2023-24	2024-25	2025-26
TIA Participating Districts	378	474	560	623
% of Teacher Eligible	55%	57%	58%	60%
Number of Eligible Teacher	62,703	81,901	100,702	116,473
Number of Designated	12,800	17,500	23,000	38,436
Total Allotment Amount	\$145 million	\$195 million	\$250 million	\$379 million

TIA funding is driven by # of participating districts, breadth of system with districts, and per teacher statutory formulas:

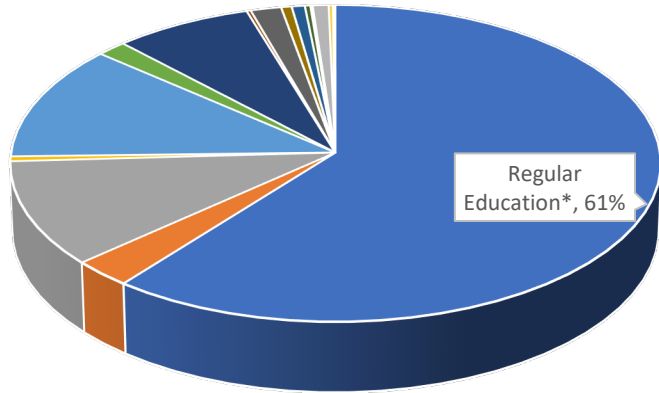
Per Teacher Formula: Base + (Multiplier X (Average Student enrolled Eco-Dis Tier + 2 for rural schools))								
			Non Eco-Dis	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
	Base	Multiplier	0	0.5	1	2	3	4
Recognized	3,000	1,500	3,000	3,750	4,500	6,000	7,500	9,000
Exemplary	6,000	3,000	6,000	7,500	9,000	12,000	15,000	18,000
Master	12,000	5,000	12,000	14,500	17,000	22,000	27,000	32,000

TIA funding for teachers could be increased by:

1. Offering start-up funds for technical assistance
2. Increasing per teacher funding formulas
3. Adding another TIA designation category

\$50 Increase to the Basic Allotment (BA) Example

Tier One Allotment



- Regular Education*
- Special Education*
- Compensatory Education
- Career/Technology Education
- Early Education Allotment*
- Fast Growth Allotment
- Mentor Program Allotment
- Transportation
- Dropout Recovery and Residential Allotment
- Certification Exam Reimbursement
- Small and Mid-size Allotment*
- Dyslexia Allotment
- Bilingual Education*
- Gifted and Talented Allotment
- CCMR Outcomes Bonus
- Teacher Incentive Allotment
- School Safety Allotment
- New Instructional facility Allotment*
- College Preparation Reimbursement
- Total Setaside



* ADA-based allotments

Note: Increases to the BA also impact Other Programs (e.g., Formula Transition Grant) and Tier Two Allotments

Statutorily Required Formula Funding Increases in Tier Two

- Tier two golden pennies increase to match the property wealth per weighted student for a district at the 96th percentile.
- Given property tax projections, golden penny yield will increase from \$98.56 to \$126.21 in FY24 and \$129.52 in FY25.

What does this mean?

The Golden Penny yield increase means that any district that is taxing in Tier 2 that does not have a wealth per student level above the yield will see a budget increase.

Given average Tier 2 tax rates in the state and average property wealth projections, this translates to an average funding increase for districts of

~ \$239 per ADA

School Safety Funding

June 2022

Governor Abbott and the Legislature provided \$17.1M for school districts to purchase silent panic alert technology

October 2022

Governor Abbott and the Legislature provided \$400M to assist school districts in replacing or upgrading doors, windows, fencing, communications, and other safety measures

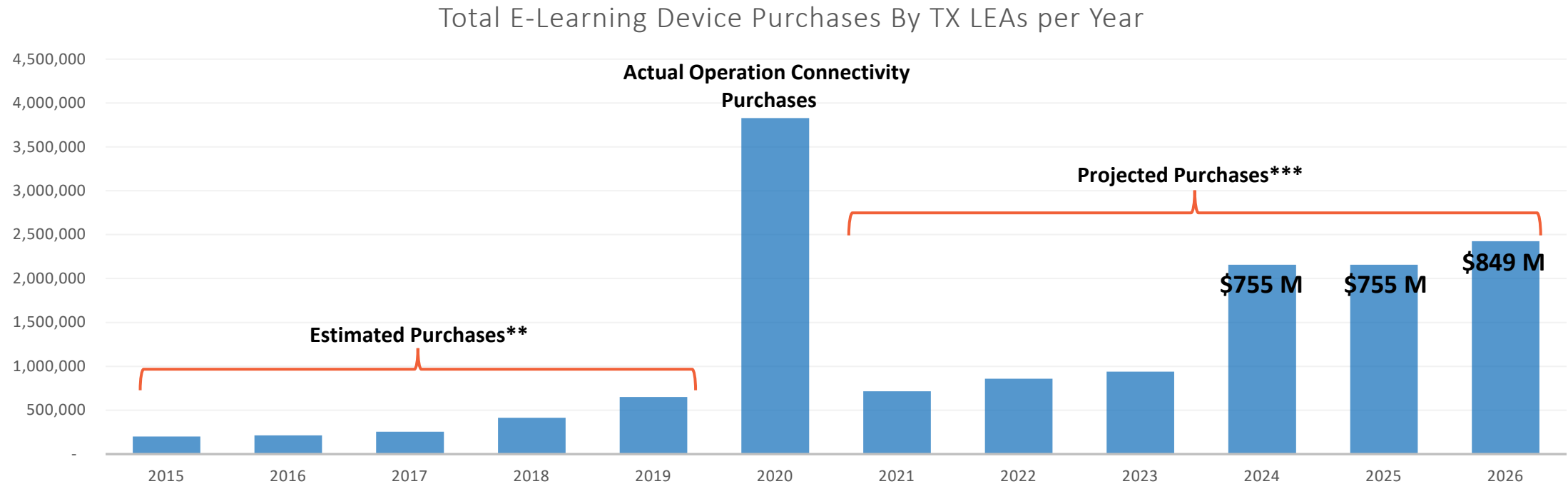
January 2023

HB 1 & SB 1 Introduced Budget Bills include \$600M for School Safety
(Article IX, Sec. 17.17)

The school safety allotment is provided to district per ADA.

As new funds are considered, a per campus allotment plus funding per ADA may be wise to ensure all schools have a sufficient level of safety resources. This would require a statutory change.

Historical and Projected E-Learning Device* Purchases By LEAs in Texas



*E-learning Device is defined as a laptop or keyboarded laptop computer sufficient for learning.

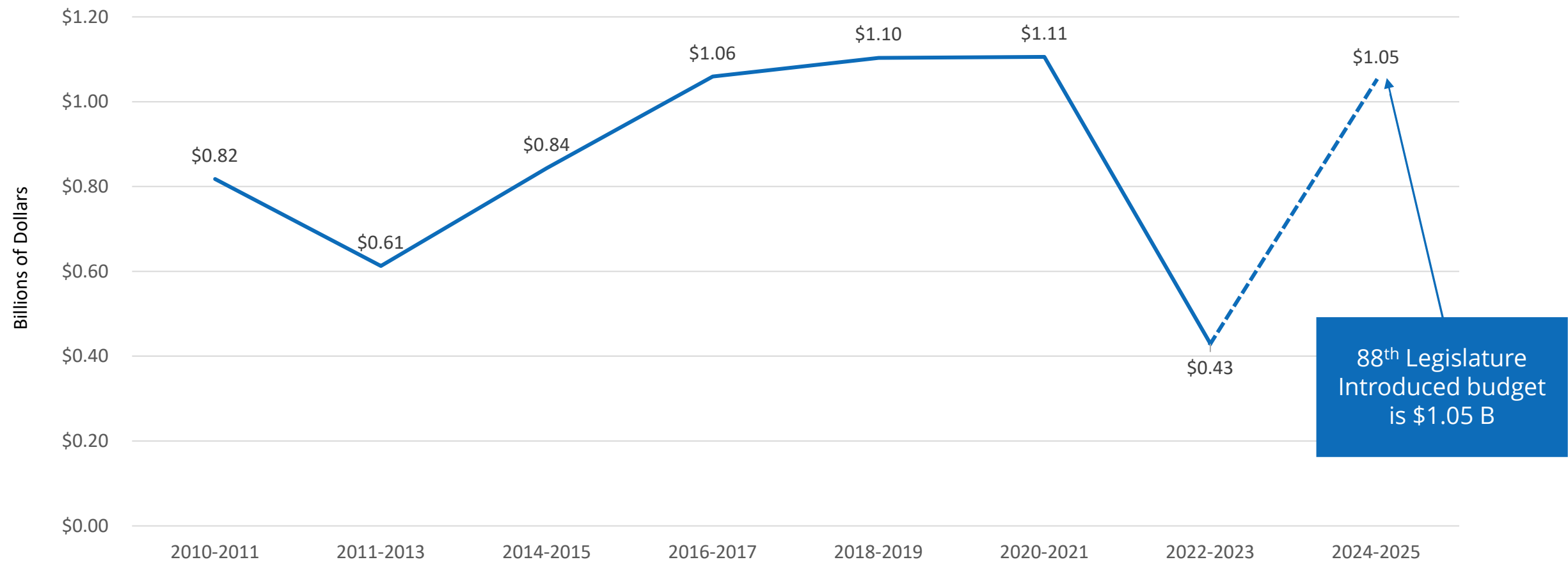
**Estimated purchases are based upon National Education Statistics Resource Center data, Industry Data & 2019 TEA LEA Survey Data

***Projected purchases are based upon a maximum 5-year lifecycle as a 3-to-5-year lifecycle is industry standard recommendation for 1:1 student devices.

NOTE: These numbers take a 5% loss rate pre-COVID and at 10% loss rate post-COVID into account.

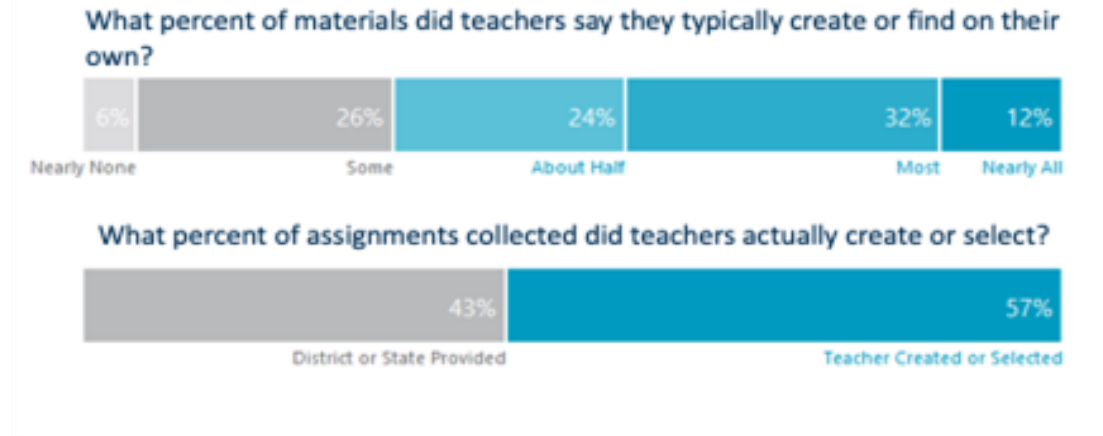
Funding for Instructional Materials: Supporting Districts, Supporting Teachers, Supporting Kids

Instructional Materials and Technology Appropriations, 2016-2025



Teachers Do Not Have Enough Time To Prepare Rigorous Lessons

Teachers reported spending **7 hours per week** or **250 hours per year** developing or selecting instructional materials.



Where do teachers find materials?

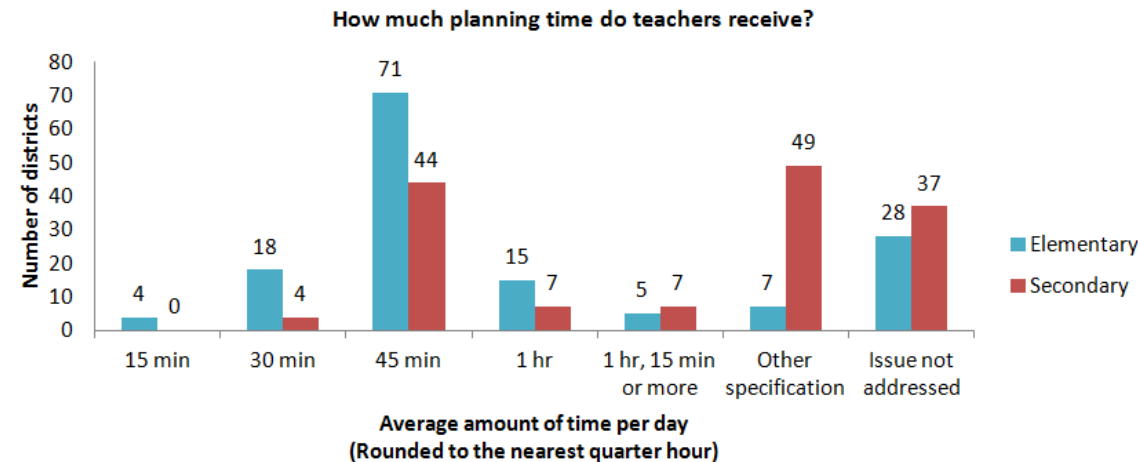


94% say
Google



87% say
Pinterest

Teachers reported being given only **3 hours 45 mins per week** on average for all planning activities.



Students Are Not Consistently Exposed To Rigor

A national study examined student classroom work to see if it was on grade-level.¹

only

17%

of lessons were at grade level (or higher)

TEA reproduced the study methodology with elementary reading teachers in 26 Texas school systems.

only

19%

of lessons were at grade level (or higher)

Students & teachers work hard. Students get As and Bs in class.

But student **proficiency does not grow.** Students, parents, and teachers might not even realize this until it is too late to correct – sometimes, after graduation.

The M&O tax rate is allocated into all three portions of the FSP formulas.

Tier One



**Excess Local Revenue
Limitations Apply**

Tier Two

Golden Pennies



**No Excess Local
Revenue Limits**

Tier Two

Copper Pennies



**Excess Local Revenue
Limitations Apply**