2017 LEGISLATIVE INTERIM PRIORITIES SUMMARY

FASTGROWTH SCHOOL COALITION

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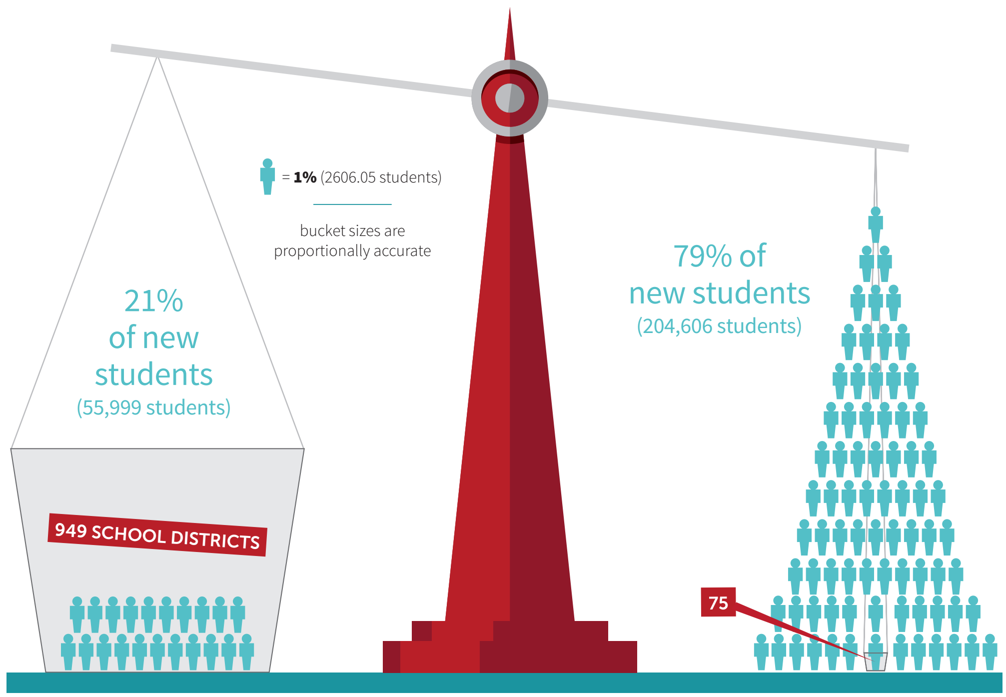
The fastest growing school districts in the state of Texas over the past five-year period educate an overwhelmingly high percentage of the new student enrollment growth—**79 percent of all of the new students reside in just 75 school districts.**



With significant student enrollment growth in our school system—almost 75,000 students on an annual basis—numerous state and local challenges emerge. And, while the state has offered three key school facility programs to offset some of the costs of new infrastructure (Existing Debt Allotment (EDA), Instructional Facilities Allotment (IFA), and New Instructional Facility Allotment (NIFA)), there has not been a significant update to these funding mechanisms in almost twenty years.

In fact, state funding accounts for only 7.4 percent of total school district debt service payments (only 5.8% when isolating fast-growth school districts), and state support for new campus start-up costs only provides $250 per new student the first two years a campus is opened. This has left many of the fastest growing school districts with little or no state facility funding support—only 27 of the 75 fast-growth receive some state funding through the EDA or IFA programs.

FGSC will focus on adjusting the funding mechanisms for the existing state facilities programs, as well as discuss other relief mechanisms available so that fast-growth schools can continue to provide high-quality education and facilities to their expanding student populations.

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1. Increase the awards under the New IFA program for campus start-up costs from $250 to $1,000 per ADA

The current NIFA grant of $250 per ADA falls well short of what is needed to open a new campus. This would increase the appropriations from approximately $26 million to $104 million per year. This program provides assistance to all districts opening campuses, Chapter 41 and Chapter 42, high-wealth and low-wealth, and urban, suburban, and rural as well as charter schools.

2. Increase the $35/ADA Yield for both Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA)

The guaranteed yields for these programs have not been updated since 2000. When these programs began, over 91 percent of the students enrolled in public schools were eligible for state support. Over the last sixteen years that percentage has diminished to 43 percent of students eligible for state assistance. If the yield were increased to provide state funding to 88 percent of the students ($78.64/ADA), the average I&S tax rate reduction for districts receiving state funding would be significant, approximately $0.07 per $100.

Recommendation: Begin phase-in of EDA and IFA yield increase to at least the 88th percentile. By increasing the yields from $35/ADA to $45.50/ADA, the tax rate reduction statewide for school districts would be approximately $0.02. The state should also use state savings due to local value growth each year to increase the program yields. During the 2015-16 school year the state is anticipated to spend approximately $100 million less on the EDA and IFA programs due to this local value growth.

3. Provide voters and school boards the flexibility necessary to effectively manage fast-growth districts' tax rates

Not only does consideration need to be given to fast-growth school districts that need to exceed the $0.50 debt cap due to rapid enrollment growth and construction needs, but more emphasis on total tax rate management needs to be considered by the Legislature.

Recommendation: Fast growth communities need new flexible tax rate management tools that allow locally-elected school boards and voters to prudently and effectively manage the school district's total tax rate. Flexibility and tax rate management is key to successfully planning and implementing school district facility plans and operational needs.

4. Charter school facility funding and reporting requirements for new campuses

Prior to any state funding for charter schools (grants or direct funding) or any other state requirement such as "right of first refusal" on vacant school district facilities, long-term leases, or low rent agreements between school districts and charters, the state should adequately fund traditional school district facilities. In addition, the state should change current state Agency policy so that charter schools must provide at least one-year notification on the size and location of a charter campus to a school district prior to opening a campus within a school district boundary.

5. Maintain the one-year lag in the use of state property values under any new school finance plan

Few changes in state law would be more crippling to fast-growth school districts than using current-year property values to calculate state aid and recapture. First-year losses are estimated at over $700 million for fast-growth school districts, almost half of the overall $1.5 billion state total. Given the fiscal outlook for the 2018-19 state biennium, there is no guarantee that the state aid and recapture increase resulting from the use of current year values would be automatically reinvested in public education.