

Foundation School Program

November 2017



Scope of Public Education

- One in 5 Texans is directly served or employed
 - 5.4 million students
 - 1.5 million in high school grades
 - 250,000 in PK or early education
 - Early grade cohorts about 400,000 at each grade level
 - Average growth of 72,000, about 1.4%, in past 5 years
 - 700,000 employees
 - Over 350,000 teachers
 - 100,000 other professionals (principals, counselors, librarians, nurses, therapists, etc.)
 - 70,000 paraprofessionals
 - 170,000 other employees

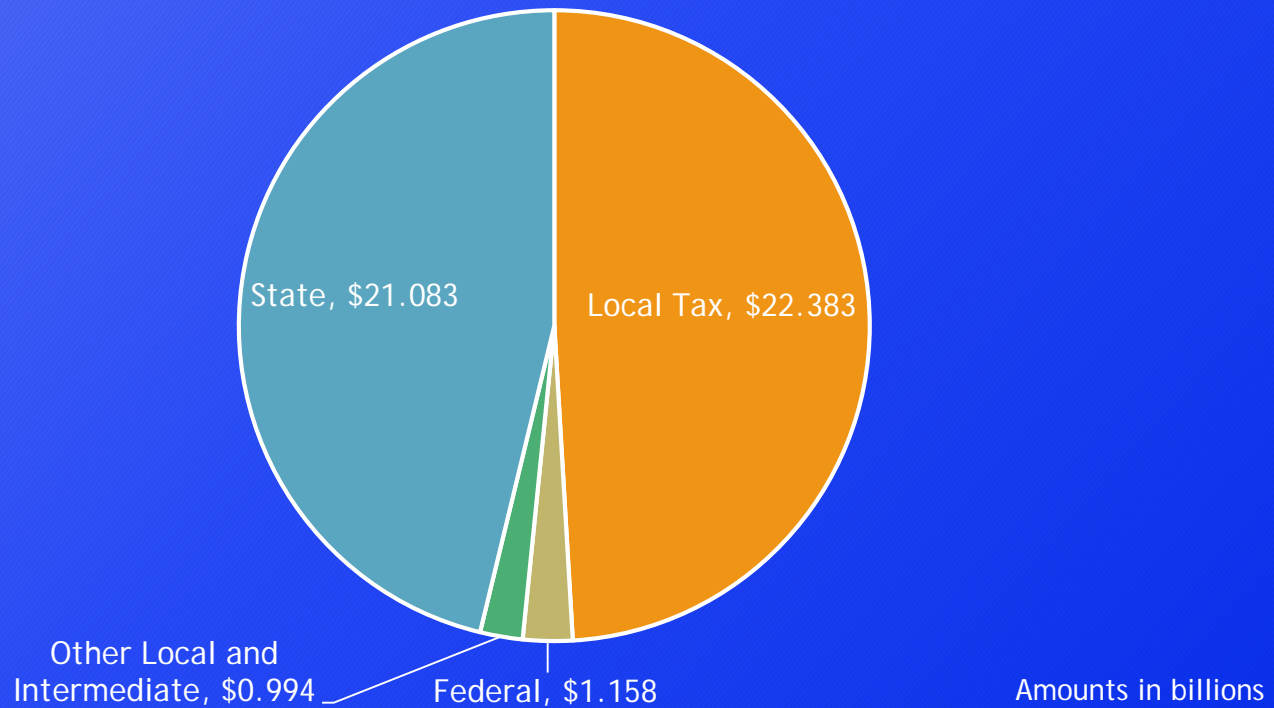
Scope of Public Education

3

- Operating Funds
 - \$49.5 billion all funds, \$42.6 billion general fund in 2015-16 (last completed year)
- Non-Operating
 - \$7.3 billion debt service
 - \$7.6 billion capital outlay

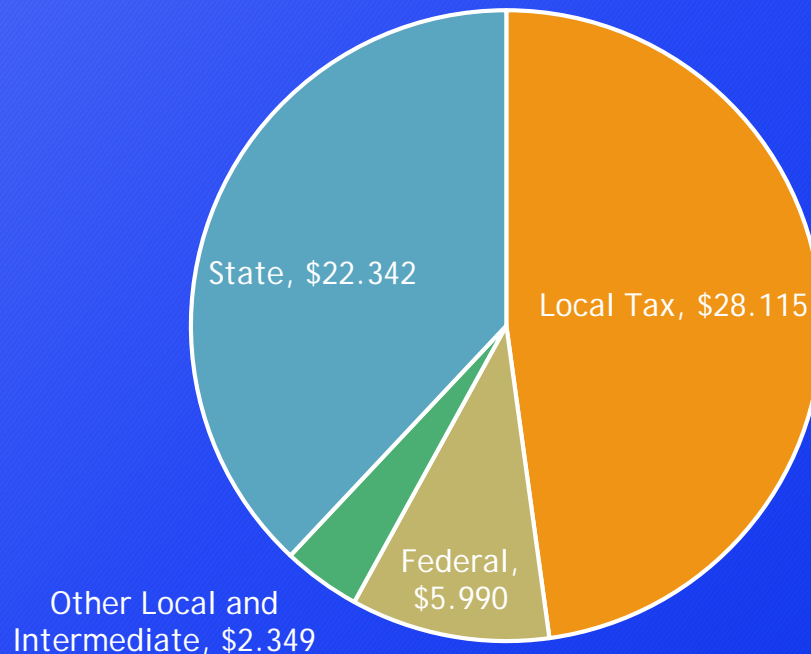
Scope of Public Education

2015-16 Revenue Sources, General Fund



Scope of Public Education

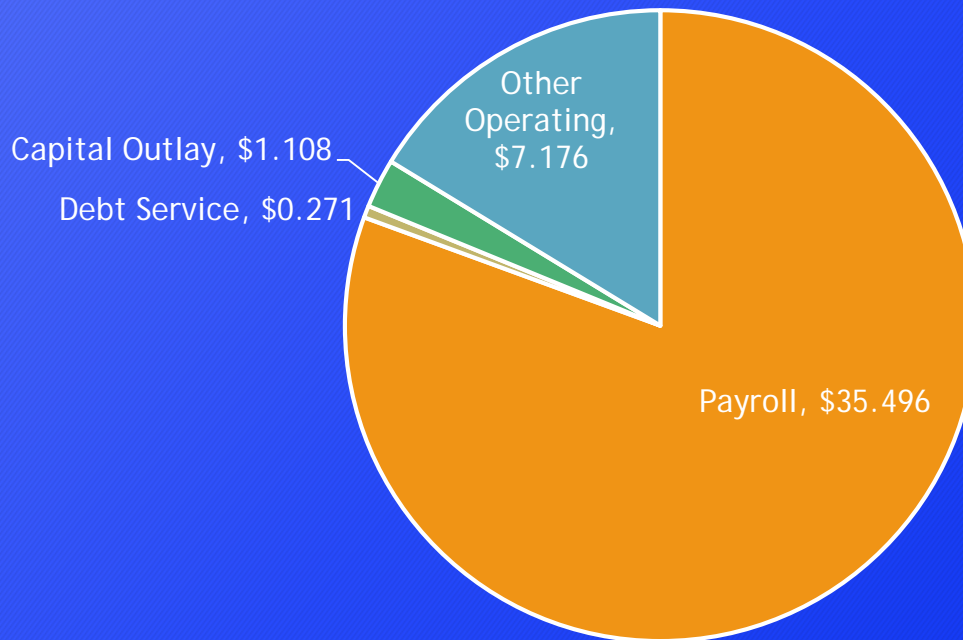
2015-16 Revenue Sources, All Funds



Amounts in billions

Scope of Public Education

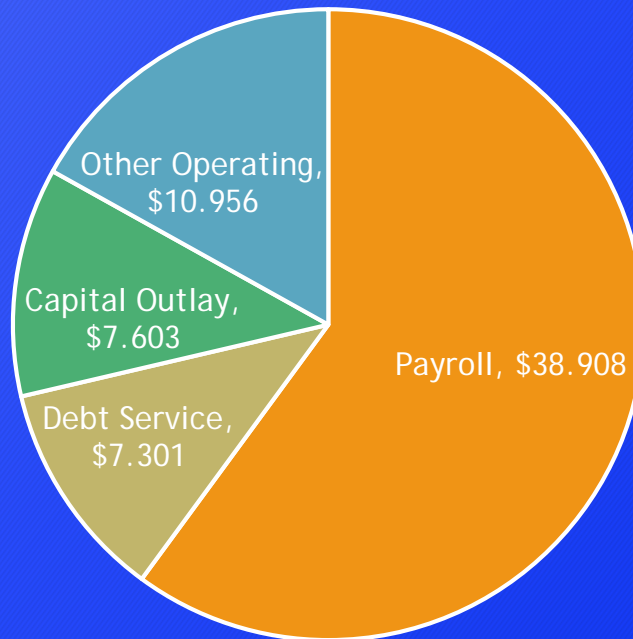
2015-16 Expenditures, General Fund



Amounts in billions

Scope of Public Education

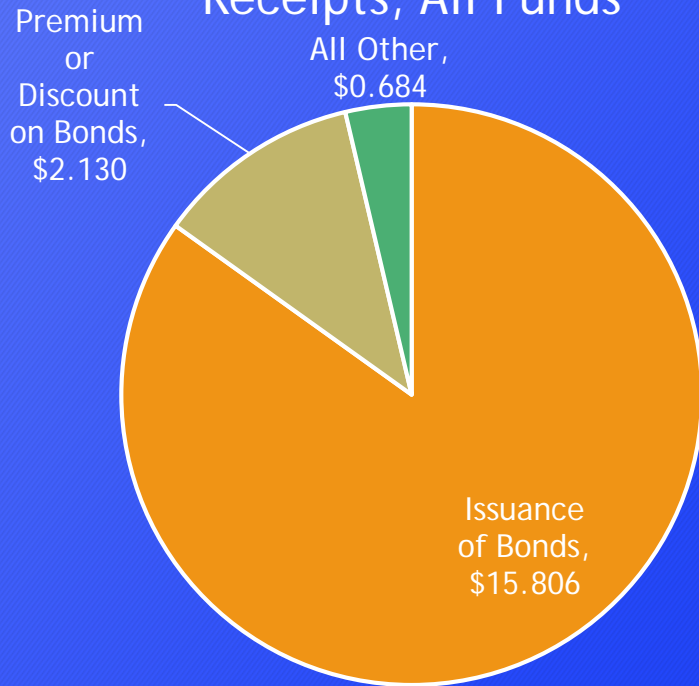
2015-16 Expenditures, All Funds



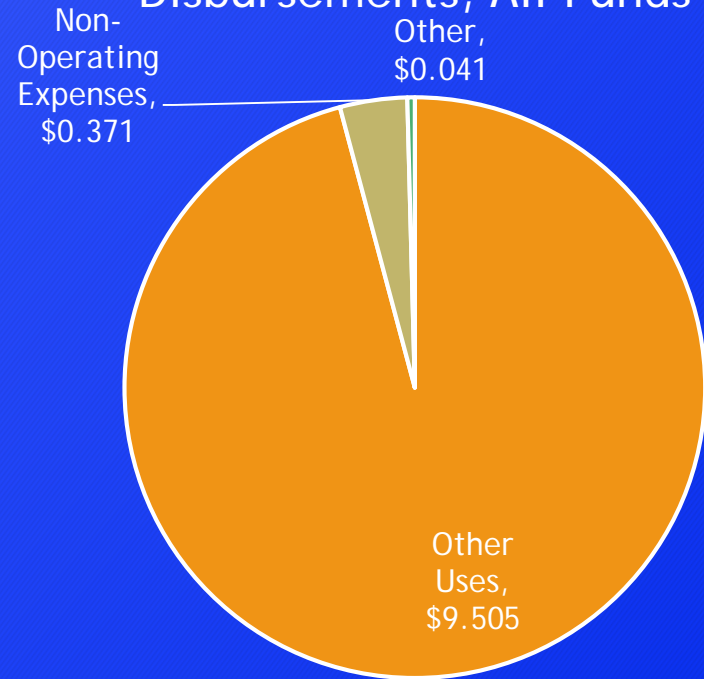
Amounts in billions

Scope of Public Education

2015-16 Non-Revenue Receipts, All Funds



2015-16 Non-Expenditure Disbursements, All Funds



Amounts in billions

Scope of Public Education

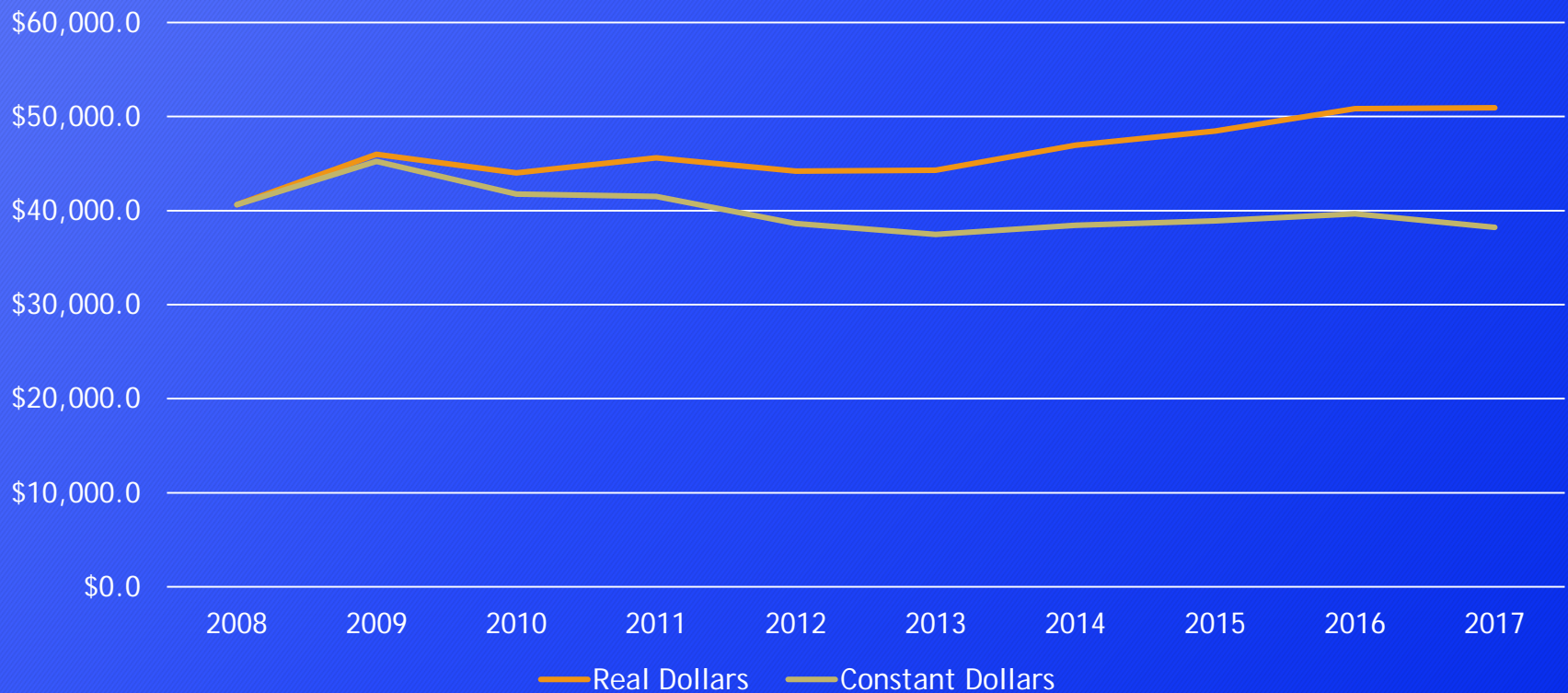
9

- Over 8,000 Campuses
- No current statewide inventory of space
- Square footage likely in excess of 1 billion SQF

Financing Public Education

10

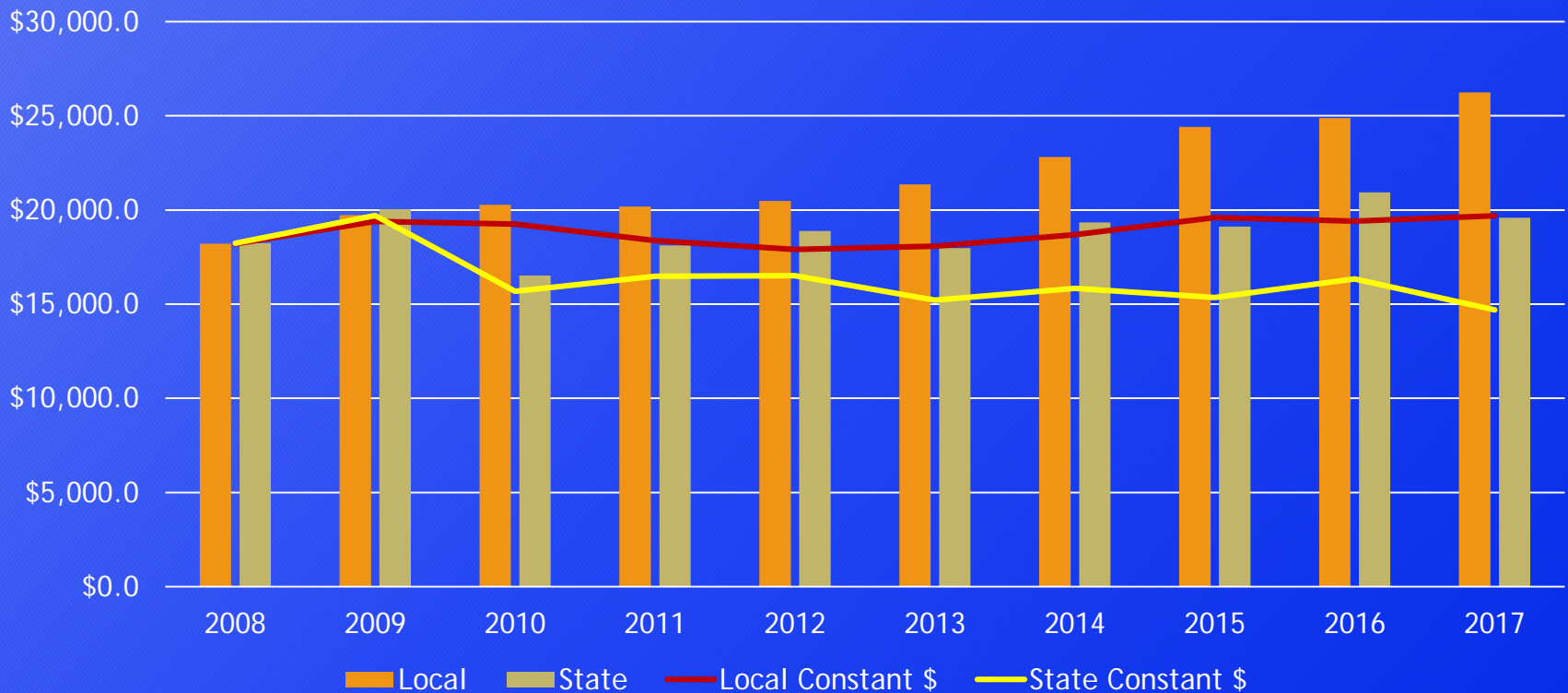
Combined State, Local, and Federal Funding



Adapted from LBB Fiscal Size-up, Figure 169

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Local and State Funding for Public Education

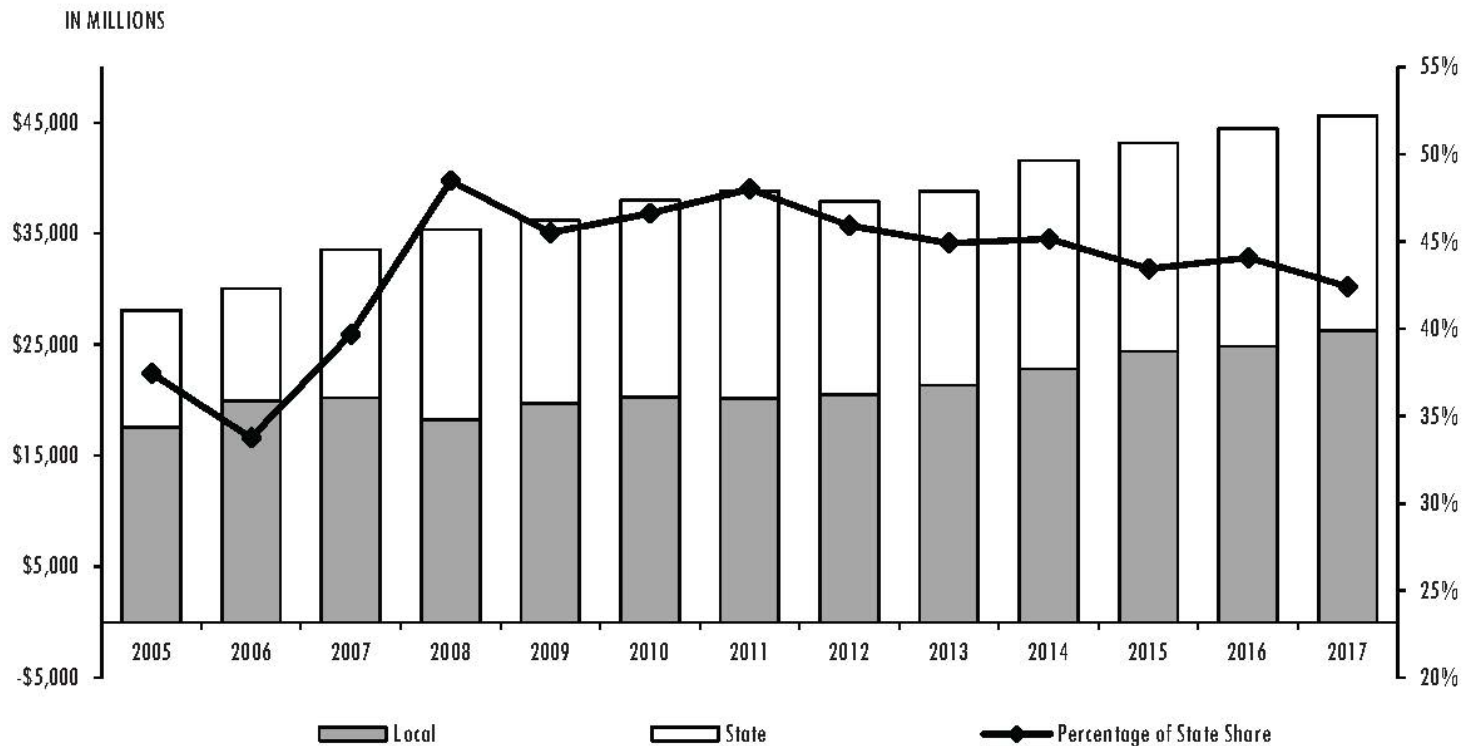


Adapted from LBB Fiscal Size-up, Figure 169

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12

FIGURE 172
STATE AND LOCAL FOUNDATION SCHOOL PROGRAM FUNDING AND STATE SHARE PERCENTAGE
FISCAL YEARS 2005 TO 2017



Source: Legislative Budget Board, [Fiscal Size-up, 2016-17](#)

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13

	% State
2017*	39.21%
2018*	36.86%
2019**	36.61%

* From TEA's payment files; includes debt service funds, charter schools included

** From MCA model for 2018-19 school year; includes debt service funds and charter schools

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14

- Federal funds are significant, but use is generally restricted
 - Supplement v. supplant
 - Maintenance of effort

Federal Grant	2018-19 Appropriation
Child Nutrition	\$4.344 Billion
IDEA, Title Programs	\$6.105 Billion
Other Federal	<u>\$0.019 Billion</u>
Total	\$10.467 Billion

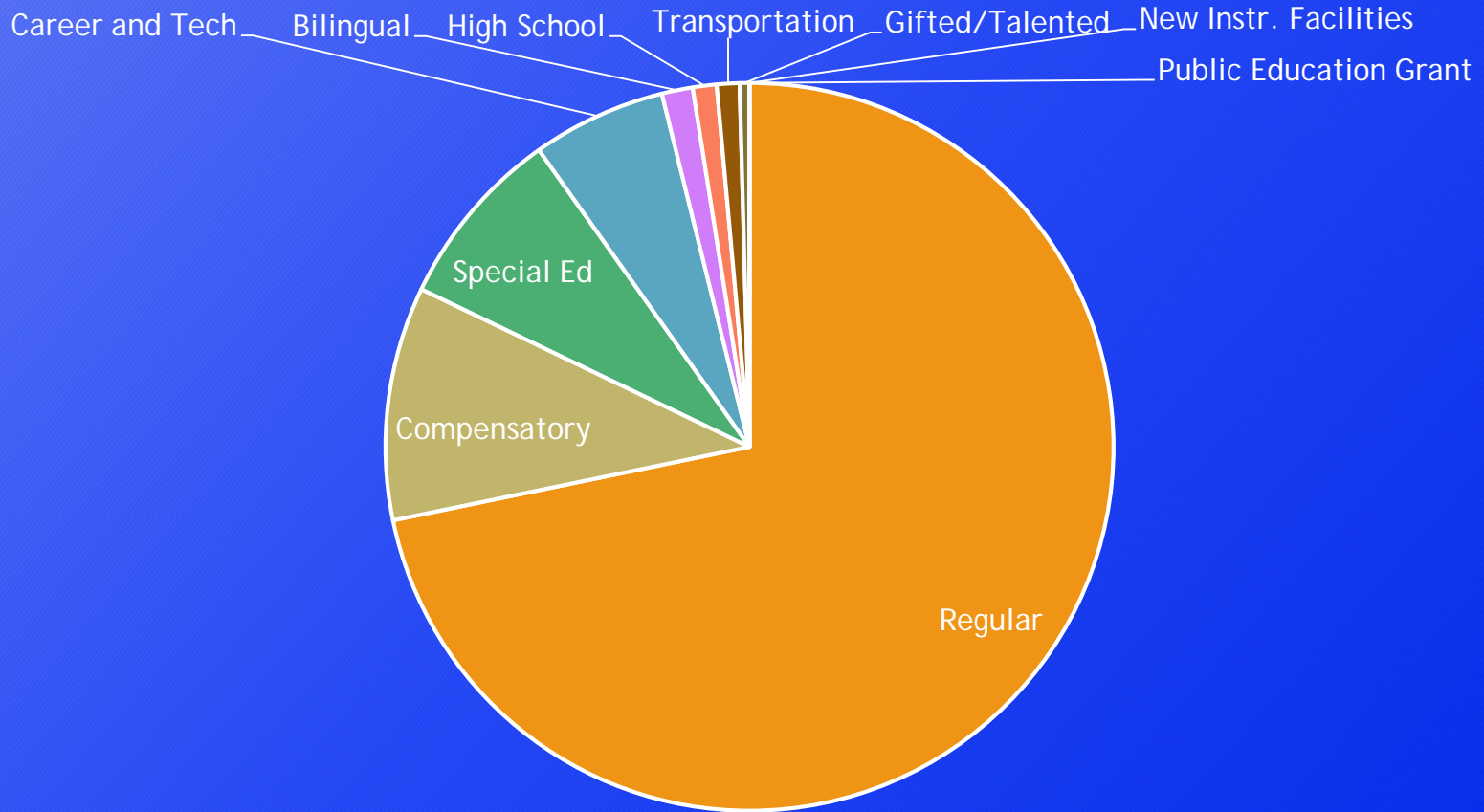
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15

- Multi-Tier structure
- Tier 1 Program Allotments
 - Regular or Basic Education
 - Special Education
 - Compensatory Education
 - Career and Technical Education
 - Bilingual / ESL Education
 - Gifted / Talented Education
 - Public Education Grant
 - New Instructional Facilities Allotment
 - Transportation
 - High School Allotment

Foundation School Program

2017-18 FSP Tier 1 Allotments



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17

- Basic Allotment \$5,140
- Adjustments
 - Cost of Education Index
 - District Size Adjustments
- Weights for Special Program Allotments
 - 18 different weights applied to the adjusted allotment
 - NIFA, Transportation, High School do not use the adjusted allotment

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18

- Tier 1 financed by state and local sharing of allotment costs
- Local share determined by property values and compressed tax rate
- State aid is remainder, but not less than ASF, NIFA, and High School

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19

- Tier 2
 - Two levels of “enrichment” above Tier 1
 - Austin yield (\$99.41/\$106.28)
 - \$31.95 yield
 - Entitlement based on simple equation:
 - $\text{yield} \times \text{tax effort} \times \text{student count}$
 - WADA – Weighted Average Daily Attendance
 - State aid determined by entitlement minus taxes attributed to tax effort

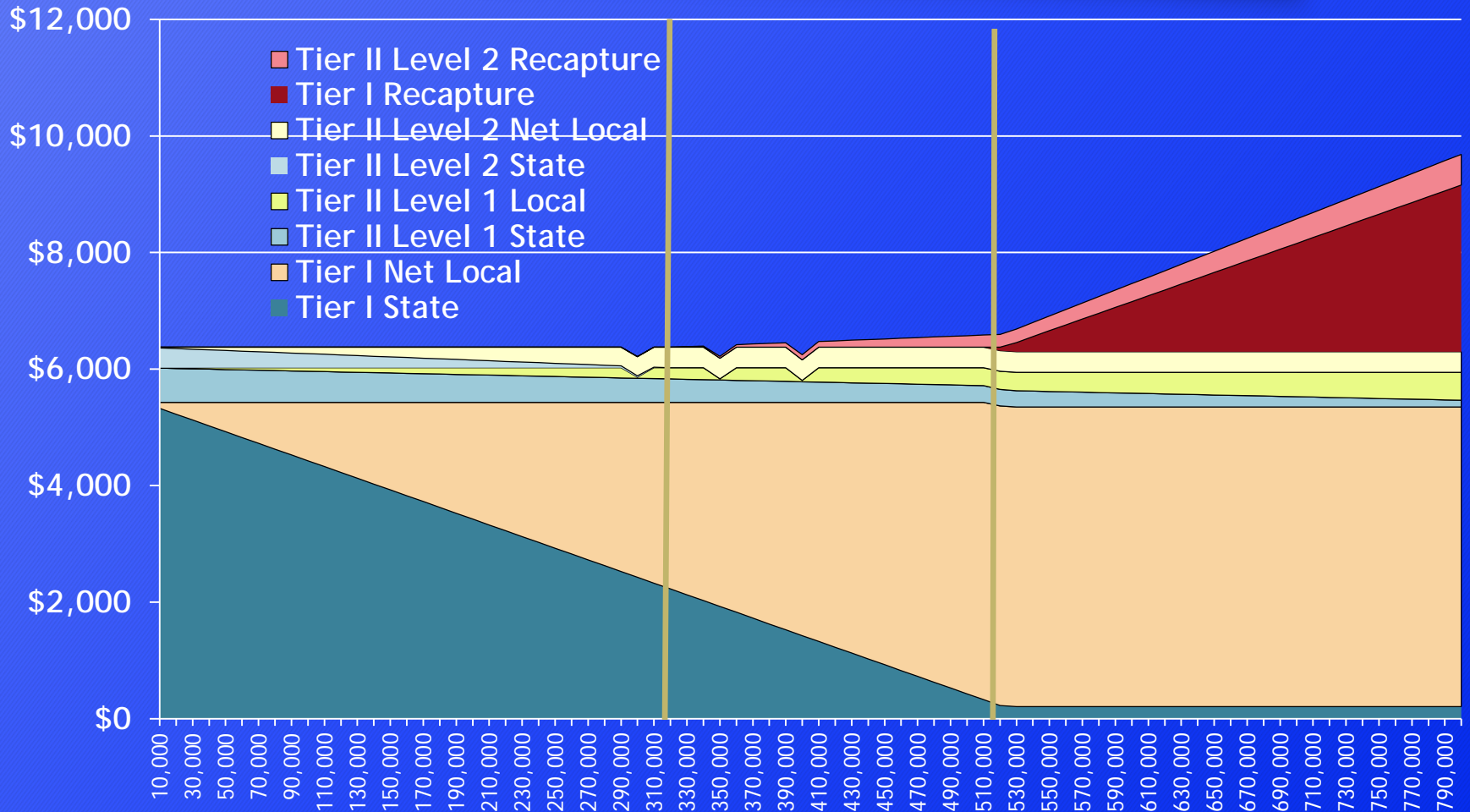
Foundation School Program

20

- Recapture
- Two equalized wealth levels
 - \$514,000 per WADA for Tier 1
 - \$319,500 per WADA for taxes attributed to the \$31.95 yield zone of Tier 2
- Percentage of taxes to be paid by property-wealthy district is based on excess tax base per student

Foundation School Program

21



Foundation School Program

22

- Facilities Funding
 - Existing Debt Allotment
 - Instructional Facilities Allotment
 - Operate as guaranteed yield programs
 - \$35 per ADA per penny of debt tax (a little below state average)
 - Types of facilities limited for IFA
 - State pays about 10% of debt service on average

- Edgewood and Equity
- First ruled unconstitutional in 1989
 - “Sec. 1. SUPPORT AND MAINTENANCE OF SYSTEM OF PUBLIC FREE SCHOOLS. A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.” - Texas Constitution, Article 7, Section 1

Litigation History

24

- “There must be a direct and close correlation between a district’s tax effort and the educational resources available to it; in other words, districts must have substantially equal access to similar revenues per pupil at similar levels of tax effort.” - Edgewood I decision

Litigation History

25

- Legislative response to raise the bottom up ruled unconstitutional in 1991
- Subsequent legislative response to create County Education Districts ruled unconstitutional in 1992
- Constitutional amendment proposed in 1993 to validate CEDs, but failed to get voter support

- 5 voluntary options adopted in 1993, including direct recapture, allow school districts to reduce wealth per student
 - Commissioner given authority to detach and annex property or consolidate districts if districts failed to act
- System declared constitutional in January 1995

- West Orange-Cove
- “Sec. 1-e. ABOLITION OF AD VALOREM PROPERTY TAXES. No State ad valorem taxes shall be levied upon any property within this State.” - Texas Constitution, Article 8, Section 1-e

- “The state cannot provide for local supplementation, pressure most of the districts by increasing accreditation standards in an environment of increasing costs to tax at maximum rates in order to afford any supplementation at all, and then argue that it is not controlling local tax rates.” – West Orange-Cove II decision
- Tax compression as a solution

- *Texas Taxpayer and Student Fairness Coalition*
- Argued the adequacy question as part of Article 7, Section 1
 - “Suitable provision”

- “Judicial review, however, does not license second guessing the political branches’ policy choices, or substituting the wisdom of nine judges for that of 181 lawmakers. Our role is much more limited, as is our holding: Despite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” - Texas Taxpayer decision

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