

EPISD 81st Session Legislative Agenda

The Texas school finance system is in a shambles, a fact which is finally being recognized by some key legislators. School districts are frozen at their choice of 2005-6 or 2006-7 funding levels, plus targeted add-ons for salary increases and high school ADA. Districts have been limited in ability to locally enrich above that level to levying four pennies at local discretion, with thirteen additional pennies available subject to voter approval. Increased local property taxes resulting from new construction or inflation of values provide no additional support for schools; they merely serve to reduce the state's funding responsibility. State support for facilities funding remains subject to biennial decisions to fund new projects, while the level of state support declines as property values rise.

The only new state funding that districts have received since 2003 are the salary and high school allotments included in HB1 in the 2006 special session and a small additional salary allotment adopted in 2007. All other costs of inflation and state and federal mandates have been left to local taxpayers and funded primarily through the four-cent enrichment tax and increasingly, through raiding of local fund balances and elimination of some educational programs. Many districts are also facing the retirement of many of their baby-boom era teachers, and with continued growth in the state's student population, the supply of replacements is limited. Most districts have by now adopted the permitted four cents and spent down their balances and will be unable to maintain their program breadth and quality unless their taxpayers approve at least some of the remaining thirteen pennies.

HB1 also caused the equity of the finance system to seriously decline. The tax compression and hold-harmless provisions of HB1 significantly increased the arbitrariness of state funding, while the elimination of some recapture and the use of personnel and high school students as funding sources also increased the gap between rich and poor districts. Added to that, many of the formulas and weights are seriously outdated or were under-funded when adopted, leaving districts with inadequate funding to meet higher costs. At the same time, Texas continues to phase in ever-higher standards of success on the TAKS test. This only magnifies the differences between rich and poor districts.

El Paso ISD is affected by all of these inadequacies. It is a property-poor school district with above-average numbers of higher-cost children, particularly economically disadvantaged and limited-English students. The District has accessed the four pennies, spent what it could from its fund balance and instituted administrative and program restructurings to reduce costs. The rapid expansion of Ft. Bliss as a result of Base Realignment and Closure (BRAC) will bring an influx of new students, necessitating more new or expanded schools. This makes restructuring of the facilities funding system important to the District and its taxpayers.

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Summary of El Paso ISD 81st Legislative Session Legislative Agenda

Maintenance and Operation Funding Issues and Goals

- 1) Restore the finance system to equitable formula funding
- 2) Provide sufficient new revenue to at least cover the cost of inflation and new mandates since 2005-6
- 3) Increase weights for Compensatory and Bilingual Education
- 4) Update outdated CEI and transportation formulas
- 5) Fund expanded access to pre-kindergarten programs
- 6) Allow tax rate authorization elections

Facilities Funding Issues and Goals

- 1) Make the EDA roll-forward automatic
- 2) Fully fund IFA (at least continue/improve special IFA treatment for BRAC campuses)
- 3) Increase the IFA/EDA yields to reflect inflation since they were adopted in 1999

Other Issues

- 1) No penalty for hiring retired teachers for BRAC (SB1913)
- 2) Legislation to fund TRS payments for mandated salary increases
- 3) Stormwater fee exemption
- 4) Funding new Math and Science graduation requirements
- 5) End discrimination in the 65% instructional expenditure requirement
- 6) Calculation of Uniform GPA

Maintenance and Operation Funding Issues and Goals

1) Restore the finance system to equitable formula funding. As a result of HB1, the funding for almost every school district in the state is determined by an arbitrary hold-harmless, not equitably by their actual uncontrollable costs. As a property-poor district with many higher-cost students, EPISD is a loser under such a “system”, with total state/local revenue per WADA several hundred dollars below the state average. Unless the system is restored to an equitable formula funding basis along the lines of the committee substitute for SB1602 last Session, EPISD will likely continue to be under-funded.

The key to restoring formula funding is to raise the yields on all pennies to a yield high enough to totally offset the amount of tax rate compressions required under HB1 in 2006 – an average increase of 50% above the 2005-6 yields to match the 1/3 compression in rate. The key to keeping it equitable is to maintain the two important principles that The Equity Center succeeded in forcing into HB1: linkage of the basic allotment, guaranteed yield and equalized wealth level to the same yield, and “floating” that yield by linking it to an increasing level of wealth per student (the Austin yield or a higher percentile.)

2) Provide sufficient new revenue to at least cover the cost of inflation and new mandates since 2005-6. This is obviously necessary for the District to be able to maintain the quality of its educational program and to avoid shifting the burden onto local property taxpayers. However, just pumping some money in, particularly if it is done arbitrarily and inequitably, doesn’t solve the problem, it only postpones it and could put us at even greater disadvantage competing for teachers with wealthier districts. New revenue should be provided in conjunction with fixing the system.

3) Increase weights for Compensatory and Bilingual Education. Texas has under-funded these programs since the weights were first adopted in 1984. Studies have consistently shown a minimum of 40% higher average cost for bringing these students to equivalency (80% if a student is both), yet the adopted weights only provide 20% more revenue for compensatory education and 10% more for bilingual education.

This shortfall will become even more critical over the next biennium as the state continues the phase-in of higher accountability standards for acceptable performance. Next year, Writing and Social Studies will join Reading in having the required percentage passing increase from 65% to 70%. Math will continue its 4-year phase-in from 45% passing to 60% passing and science its phase-in from 40% to 55%. Given the gap in performance between disadvantaged or LEP students and the general student population, it will likely be difficult to reach these targets without devoting more resources to these students.

Because EPISD is well above the state average in both of these student populations, increasing these weights also gives the District more dollars for a given level of appropriation. EPISD would receive about 40% more money for state aid distributed by increasing the Compensatory weight than it would if the money were distributed on a per-WADA basis, and over 2/3 more money if it were distributed through an increase in the Bilingual weight. For \$1 billion in new state aid, EPISD would receive about \$14 million if it were distributed per WADA, almost \$20 million if it were used to raise the Comp Ed weight and about \$23.5 million if the Bilingual weight were raised.

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In addition to advocating for a general increase in these weights, there are two other strategies that could be pursued. Last Session, Sen. Shapleigh carried SB961 and Rep. Chavez carried HB3264 on behalf of the District. This legislation provided an additional 0.1 weight (10% more funding) for each BRAC student in the year they move in and 0.1 for each student with a parent stationed overseas in a combat zone. It was estimated at the time that this would produce about \$3 million in funding for the BRAC students in the coming biennium and perhaps several million more for students with deployed parents. Sen. Shapleigh has already re-filed the legislation as SB196 this Session.

Also, Judge William Wayne Justice recently ruled that state funding of bilingual education for secondary students is inadequate. While that decision is being appealed, it clearly establishes the need for an increase in the weight for at least those students.

4) Update outdated CEI and transportation formulas. There can be no justification for continuing to base the Cost of Education Index on 1989 data and transportation funding on 1983 data. Both must be updated to have a truly equitable, cost-based funding system.

However, it is equally important that any updates be done fairly so that they truly reflect costs. The last two CEI studies have used a flawed methodology that dismisses the need to pay higher salaries to attract teachers into schools with high numbers of disadvantaged students or into poorer districts with fewer resources, despite significant evidence to the contrary. This has resulted in recommended indexes that in some cases provided higher funding for wealthy suburbs than for inner-city districts that clearly have a tougher time attracting and retaining experienced certified teachers. As a result, EPISD would have gained nothing, and perhaps lost ground, under those studies.

Transportation is egregiously under-funded because of the use of 25-year-old cost data. EPISD's current state allotment is about \$3.3 million, or about \$55/ADA. It is unlikely that a new cost study will be performed in time to be utilized this biennium, but the dramatic rise in fuel costs has created some pressure for an across-the-board increase in current funding. However, since EPISD receives over 20% below the state average of \$70/ADA in transportation funding, the District would fare much more poorly under this increase in funding than under most others, including a straight per-ADA or per-WADA distribution. Therefore, EPISD does not advocate for this change unless it is part of an overall reform that addresses other, more serious educational needs from which the District would derive greater benefit.

5) Fund expanded access to pre-kindergarten programs. The original intent of the Pre-kindergarten Early Start Grant Program was to provide seed money for expansion of programs, with regular FSP funding picking up the tab after the expansions became operational. Instead, the initial programs have continued to receive funding, with little money available for new expansions, in part so that the selected districts could receive state funding for non-disadvantaged students who would otherwise not qualify for state FSP aid. EPISD seeks the return of this funding to its original purpose, with an expansion of the appropriation to avoid "losers". EPISD may support full FSP funding of pre-kindergarten programs for all students, not just disadvantaged students, if it is part of an equitable reform of the entire system.

6) Allowance of Authorization Election. The current roll-back election procedure established by HB1 in 2006 creates unnecessary costs for local property taxpayers and restricts efficient administration of school district budgets. By requiring that a district must levy all authorized pennies of tax rate or lose the authorization to levy them in the future, the statute encourages districts to set tax rates higher than may be needed at the time. The alternative is to burden taxpayers with a continuing series of elections, which for a district the size of EPISD can prove very costly. Because the election occurs after the start of the school year, the current procedure also precludes efficient and effective budgeting.

EPISD supports legislation that permits districts to hold an authorization election rather than a rollback election to obtain voter approval for future assessment of some or all of the remaining maintenance and operations pennies authorized by law. Permitting school districts to hold an authorization election would allow districts to project how much funding would be available prior to preparing their budgets while still giving taxpayers an opportunity to vote for or against a tax increase. Holding one or a few authorization election rather than a long series of rollback elections would also allow for better long-term planning and would help districts be better prepared to cope with escalating cost of food, fuel, utilities and other expenses, and provide competitive salaries to teachers and other staff members. It would also reduce the cost of elections.

Facilities Funding Issues and Goals

1) Make the EDA roll-forward automatic. This is the single most important reform that is needed. Without this change, districts and taxpayers must make a huge gamble that the roll-forward will pass the next biennium. If the gamble fails, taxpayers could face dramatically high tax rates, particularly in extremely poor districts. If this change were adopted, the only inequity would be for the one or two years before the roll-forward occurred.

2) Fully fund IFA (or else continue/improve special IFA treatment for BRAC campuses). Under the current system, there can be dramatically different tax rates needed by two districts with essentially similar wealth per pupil if they fall on opposite sides of the line where the IFA appropriation runs out. EPISD has almost always (until this year) been on the wrong side of that line. SB1875 by Sen. Lucio last Session would have established a revolving fund that would have provided full funding of the IFA. SB962, authored by Sen. Shapleigh, gives the District a better chance at receiving IFA funding for BRAC-related facilities. More importantly, the bill also eliminates the “biennium lag” for EDA funding of BRAC-related facilities. At the very least, it is important to defend SB962 from any attempts to weaken or repeal it, but the underlying system itself should be fixed.

3) Increase the IFA/EDA yields to reflect inflation since they were adopted in 1999. EPISD’s wealth per ADA has increased by 37% since the current yields were adopted in 1999. As a result, state aid for the District under these programs has declined from almost 60% of the total facilities cost to just over 44%. At the same time, it is estimated that construction costs have increased by an average of almost 80% since 1999. That means that, even with IFA or EDA aid, it would take a tax rate of 9 cents to fund a facility that could have been paid for with a 5-cent tax rate in 1999. When combined with the required voter approval for increased M&O revenue, this puts funding of both operations and facilities at greater risk. The yield for both should be increased to reflect inflation and tied to a wealth percentile.

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Other Issues

- 1) No penalty for hiring retired teachers for BRAC.** EPISD faces the same difficulties finding sufficient personnel to match BRAC expansion that it faced last Session, when Sen. Shapleigh authored SB1913, carried by Rep. Chavez in the House. Removing the penalties for hiring retired teachers could provide a bridge until permanent certified teachers can be hired.
- 2) Legislation to fund TRS payments for mandated salary increases.** EPISD supports legislation that requires the state to include the previously mandated teacher pay raises any future state-mandated salary increases in the minimum salary schedule to ensure that the state is responsible for paying the Teacher Retirement System payments for all salary costs that are not local discretion or required by local market conditions. The state's failure to amend the minimum salary schedule and to make the required TRS payments on these pay raises imposed a costly unfunded mandate on local property taxpayers.
- 3) Stormwater fee exemption.** The District seeks legislation providing school districts the same exemptions that apply to state agencies and institutions of higher education.
- 4) New Math and Science Graduation Requirements (4 X 4).** EPISD supports legislation that properly funds the four years of Science and four years of Mathematics for students entering high school in the 2007-2008 school year that is mandated by recent legislation. In particular, the state should equalize the cost of all new laboratory facilities through immediate qualification for IFA assistance. The state should also provide assistance for recruiting the additional necessary teachers, particularly for schools with high concentrations of disadvantaged students where the need is greatest.
- 5) 65% Instructional Expenditure Requirement.** The 65% budgeted instructional expenditure targets established by the Commissioner of Education is highly discriminatory against districts with high concentrations of economically disadvantaged and limited-English students. As currently structured, the rule does not include instruction-related costs and services, such as counseling, library, curriculum development and staff development, that are disproportionately needed by such districts. Other costs necessary to instruction, particularly campus and student security costs, are similarly excluded from the calculation of the instructional percentage. At the same time, costs such as food service and health services, which are far more necessary for such districts, are included in the denominator of the calculation of the percentage, giving districts with wealthier students a substantial compliance advantage. EPISD supports legislation that reduces or eliminates these unfair and discriminatory provisions of this rule, or its elimination if these are not remedied.
- 6) Calculation of Uniform GPA.** EPISD will monitor the continuing development of the proposed rule establishing a uniform method of calculating a student's GPA and may seek legislative remedy if the proposal would discriminate against EPISD students or inhibit the District's ability to encourage high student achievement.
- 7) Other Issues.** The District will monitor introduced legislation and regulatory decisions throughout the 81st Session to determine whether additional issues of concern to the District will be added to this agenda.