
Senate Finance Committee

Public Testimony on SB 1

Kimberly Smith, Chief Financial Officer



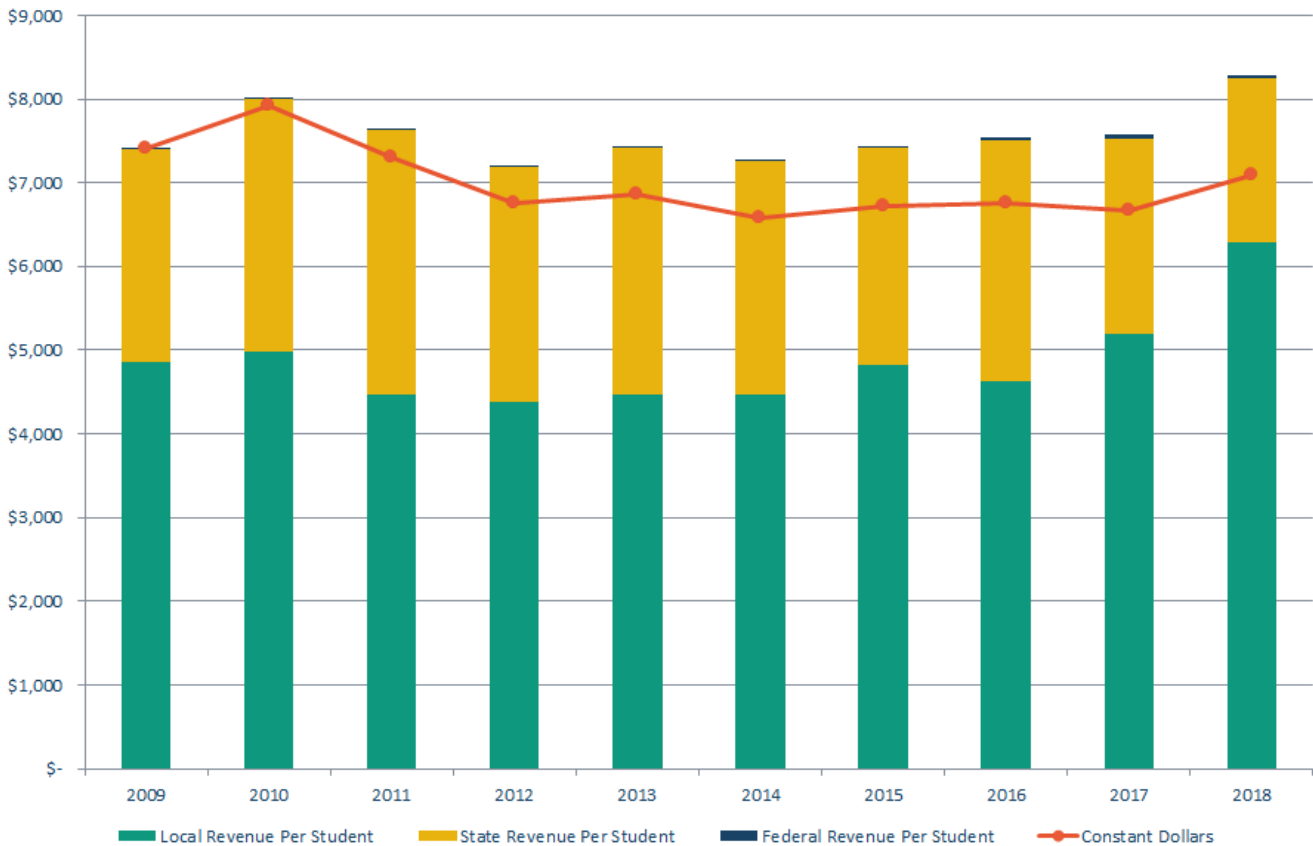
Article III Funding

Total Funding Level

Senate Bill 1 appropriates an All Funds total of \$62.4 billion in funding for public education which is an increase of \$6.9 billion over the 2018-2019 biennium. Of that \$6.9 billion, \$0.9 billion is generated by increases in recapture payments. As a result, SB 1 appropriates \$6.0 billion in new state funding. \$3.7 billion of that funding has been allocated to the proposed salary allotment in SB 3. The remaining \$2.3 billion is dedicated to reducing property taxes and recapture. Although SB 1 appropriates significant additional money for public education, as it currently stands, the budget does not provide any funding for implementation of the School Finance Commission's recommendations which would cost an estimated \$1.7 billion. In addition, SB 1's appropriation of \$2.3 billion for property tax relief and recapture reduction is unlikely to be sufficient to replace decreased revenue should SB 2/HB 2, which caps property tax revenue growth at 2.5% per year, pass.

SB 1 appropriates a total of \$118.3 billion in general revenue and general revenue-dedicated funds. The Comptroller has estimated general revenue related funds to be \$125.7 billion. As a result, SB 1 leaves over \$7 billion of estimated revenue unappropriated. While it is certainly responsible and necessary to provide for uncertainty in revenue estimates, leaving \$7 billion unappropriated prevents the legislature from providing sufficient funds for public education. While it often appears that funding for public education has increased over the past ten years, adjusting for inflation reveals that, in Frisco ISD, funding per student has remained relatively flat and actually decreased slightly since 2009. Additionally, the state share of the funding has decreased significantly in Frisco ISD as property values have risen placing more of the burden on local property taxpayers.

Frisco ISD Historical Revenue Per Student in Constant Dollars Fiscal Years 2009 - 2018



In his January 2019 fiscal notes, the Comptroller provided important information regarding school finance levels. From 2000 to 2018, after adjusting for inflation, state per-student funding has decreased 8%. Over the same period, the State share of funding public education has decreased from 45.6% to 36%. The Comptroller has suggested that State funding of at least 40% is reasonable and sustainable. Even assuming costs remained the same for 2018, the legislature would need to appropriate \$4.24 billion in new funding over the biennium. SB 1 only appropriates \$2.3 billion toward this goal (in the form of reducing property taxes and recapture), because the \$3.7 billion appropriated for SB 3 comes attached to an equal increase in the cost of public education overall (the new salary allotment). The reality is that rising costs and the effects of inflation will increase the total cost of education beyond its 2018 level requiring an even higher level of state funding to achieve the 40% share goal. SB 1 does not appropriate sufficient funding to achieve this goal.

Funding for SB 3

SB 1 appropriates \$3.7 billion for a new \$5,000 salary allotment for all classroom teachers. However, SB 1 does not appropriate funding for new TRS obligations as a result of this salary allotment. Districts will be required to pay at least 1.5% of the cost of the allotment for TRS and in some cases (grant-funded teachers) the full state share of TRS. A better approach for this funding is to allocate it for

increases in the basic allotment coupled with an increase to the minimum salary schedule. Such a structure would help to increase teacher pay equity across the state by providing additional funds where they are needed most, in rural and low-income districts where they are forced to pay teachers at the current minimum salary schedule rate.

Lack of Funding for Recapture Reform

Importantly, SB 1 does not provide sufficient funding for recapture reform. Although SB 1 appropriates \$2.3 billion for property tax reform, that amount is insufficient to cover lost Tier I M&O revenue as a result of the property tax reforms made in SB 2/HB 2, which are estimated at \$3 billion in the Governor's proposed budget. However, SB 2/HB 2 will also result in decreased recapture payments which must be replaced with state funding. SB 1 does not provide any funds for this purpose.

Conclusion

SB 1 provides significant additional funding for education, and is a good starting point for a discussion about increasing the state investment in public education. However, as it currently stands, the funds provided by the budget are allocated for purposes that do not address the underlying systemic flaws in the school finance system. In order to ensure that school finance reforms and meaningful property tax relief are successful, the state must provide both sufficient funding and sufficient flexibility in the use of that funding to support underlying changes to the school finance system.