

Talk

about Today's Public Schools

Editor's Note:

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The Texas school finance system is inequitable, unrealistic, unfair, and stagnant

The following is a copy of the comments that were submitted by NISD Superintendent John Folks to the Select Committee on Higher and Public Education Finance at the May 13 San Antonio meeting.

Thank you for the opportunity to provide input on what I believe is the single most pressing issue facing public education today. I commend all of you for taking on the daunting task of school finance reform, and I sincerely appreciate your service on this committee and look forward to hearing your recommendations.

For those of you who are unfamiliar with Northside, our District is the fourth largest in Texas, and the largest in San Antonio and South Texas. Our enrollment, now at about 85,500, is increasing by about 3,000 students a year, making us one of the fastest-growing districts in Texas.

Northside is fortunate to have enjoyed relatively stable finances over the past several years. This is because of several very difficult decisions District leaders made to keep our finances sound when we could not afford to wait for the Legislature to take action on school finance following the West Orange-Cove ruling. In 2003-04, salaries were frozen and the budget was cut to save \$22.7 million. Then, in 2004-05, block scheduling was ended at secondary schools to save \$15 million. Today, those cuts add up to \$180 million in savings, or costs that we have avoided. Making those cuts was not in the best interests of our staff or students - it was a financial decision. But since then, we've benefited from a stable budget and have been able to give competitive salary increases to staff members.

To put that in perspective, currently, we are the only school district in San Antonio that has not accessed any of the additional four pennies that are authorized by the Legislature. But under the current school finance system, our good times are about to end.

Target revenue is unrealistic and inequitable

Like many other school districts across the state, we take issue with the "target revenue" funding system. Under the target revenue system, we are getting the same amount of money per student this year as we did last year, and we will receive the same amount of money next year. That's three consecutive years of stagnant funding. The state has made no provisions for inflation, the increase in the cost of fuel and utilities, salary raises, or the many unfunded mandates passed by the Legislature.

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The current funding system not only is unrealistic, it's also inequitable. There is no logic applied to how a district's target revenue is set, and one school district's target revenue could differ from another's by more than \$2,000 per student. The formula that is used to figure out a district's target revenue is very complex and confusing. In looking at large districts across the state, Northside fared better than some, but there are still many districts that have a target revenue figure higher than ours. If, for example, NISD had the target revenue of neighboring North East ISD, we would collect \$21.2 million in additional funding annually. Or, if we had Austin's target revenue, we'd be getting more than \$67 million in additional funding. Why are some school districts expected to make do with less?

Let school districts have a piece of the expanding pie

A better question may be why are school districts expected to make do with the same revenue level year after year, while the state continues to gain revenue? Northside is fortunate to serve as home to more than 6,600 large and small businesses, and many companies continually choose to locate in Northside for a number of reasons, including our excellent school district. However, as these new businesses come to Northside and as property values increase, contrary to popular belief, it doesn't benefit the school district on the M&O portion of the tax rate. It's true that Northside does collect more revenue from local property taxes, but it just means the District gets less money from the state. As revenue from local property taxes increases, the less state funding school districts receive. In other words, it's a wash, and Northside doesn't benefit at all from the healthy economy it helps to generate.

A growing tax base doesn't help us at all because we are locked into our target revenue. For example, Microsoft is building a data center in Northside valued at \$550 million, but it will have zero impact on our finances. And though property tax appraisal reform is expected to be an issue in the upcoming legislative session, no matter how much appraisals rise, it has zero impact on M&O. In fact, because of growth in property tax revenues in Northside, we estimate that in 2008-09, our District will get \$10 million less from the state even though we will grow by 3,000 students. Plain and simple, it means more money for the state but not for school districts.

Address cost drivers and funding for fast growth districts

School districts across the state are desperate for more revenue so that they can not only adequately educate their students but also meet higher and higher accountability standards and fund legislative mandates. Northside ISD has spent approximately \$1 million on mandates the 80th Legislature voted into law but failed to fund. These include: the bi-annual bus evacuation trainings, the physical fitness evaluations, and automatic external defibrillators for each campus, to mention a few. There also are new academic requirements such as the "4 x 4," that will require us to shoulder the cost of hiring additional science teachers, improving science labs, and providing staff development. And, of course, in the big picture is an accountability system whose standard of success continues to rise while our funding remains the same.

First and foremost, the school finance system must address cost drivers such as inflation, enrollment and staff growth, and salary increases. Please make a commitment to develop a more equitable means of distributing funds to school districts across the state, and increase the floor for those districts with the lowest target revenue.

In addition, I urge the Legislature to consider giving locally elected school boards the authority to increase the tax rate by up to 2 cents a year without a citizen vote, up to \$1.17 per \$100 of property value. Currently, the only way a school district can raise more revenue, once all four pennies have been accessed, is to hold a rollback election and ask voters for approval to increase the tax rate.

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This makes it very difficult and expensive for school districts who have to hold frequent bond elections to continually present to voters propositions involving the tax rate. School Board Trustees are elected officials and should be trusted to make the tax rate decision on operations.

Lastly, please provide relief to fast growth districts by increasing the yield on IFA and EDA programs from \$35 per ADA to at least \$45 per ADA. Since 2000, we have opened 22 new schools, and in August we will open five new schools, not to mention the numerous additions and renovations needed throughout the District. Our growth is not expected to slow down any time soon. Fortunately, our voters have been extremely supportive, and have passed five consecutive Northside bond issues. Thanks to an aggressive debt management program that includes EDA and IFA funding and refinancing our bonds for lower interest rates, we have been able to keep our tax rate low and reduce the burden on local taxpayers.

This is because in past years we have enjoyed a great partnership with the state in regards to facilities funding. We would like that partnership to continue and would like more school districts to forge similar partnerships. But as our district becomes more property wealthy, we are generating less and less state funding. Currently, Northside is receiving \$15 million in EDA and IFA funds. Next year, we estimate that figure will fall to \$5 million, and in 2009-10, it will drop to zero. As state funding decreases, the I&S portion of our tax rate will begin rising at a quicker pace as we rely more and more on local property taxes. And I am sure we soon will wear out our welcome with voters if we continually return to them for bond issues on top of rollback elections.

In summary, I ask the Legislature to take the following actions:

- Distribute funds equitably among school districts
- Allow districts, particularly those that are fast-growing, to share increasing property tax revenue
- Give school boards the authority to raise the tax rate by up to 2 cents annually
- Increase the yield on IFA and EDA programs to at least \$45 per ADA

Like many of my colleagues, I believe the effort to overhaul the way public education is funded was about property tax relief; it was not about reforming school finance. In fact, the current finance system we have may be more inequitable than the previous system, which was ruled unconstitutional by the Texas Supreme Court. I respectfully urge lawmakers to establish a fair and equitable funding system. The Legislature has set high academic standards for us, our students, and staff. Please give us the tools we need so that we can meet and exceed those standards.

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