

School Finance Work Session For TASB Board Directors

December 4, 2015



Rationale for the Work Session

TASB Strategic Plan Advocacy Goal B:

Plan for potential outcomes of the school finance trial

- Conduct scenario planning and develop responses to various outcomes
- Update the TASB school finance plan (2010)
- Build understanding and consensus on next steps

Work Session Objectives

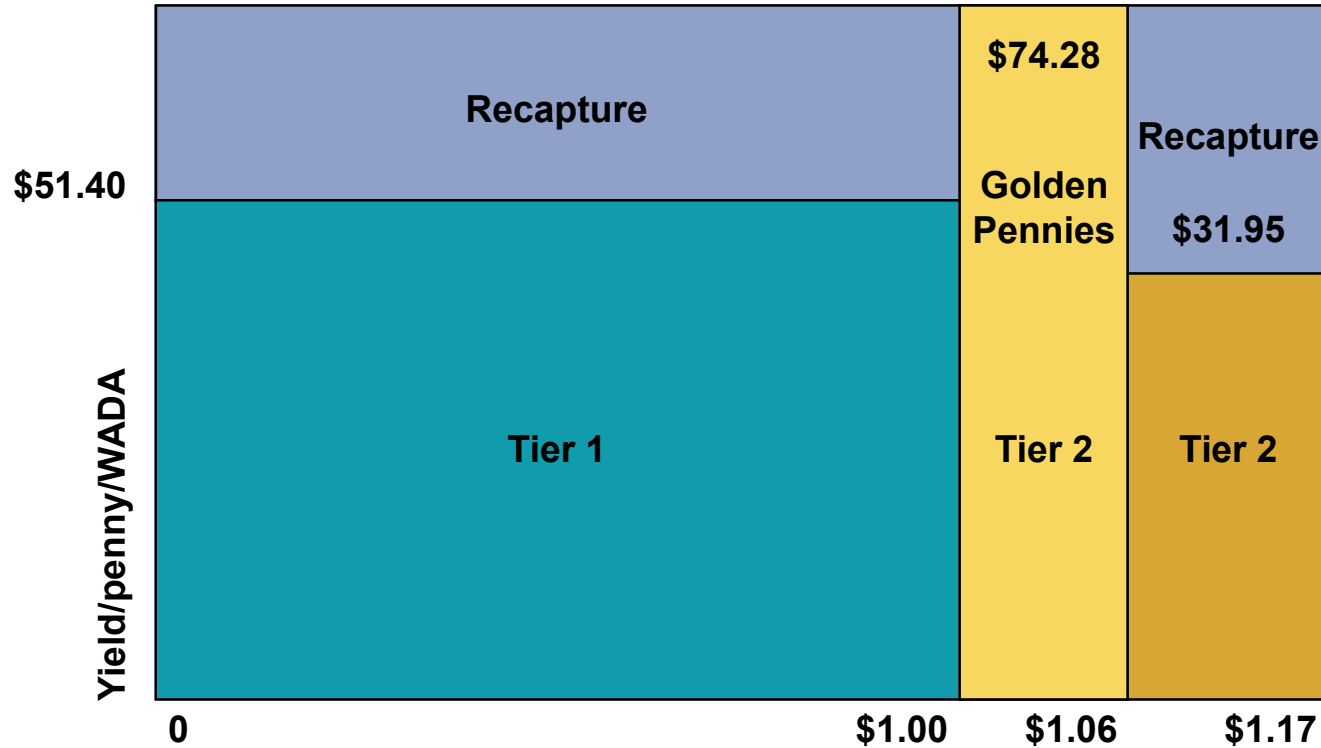
- ✓ Review the current school finance system for M&O funding
- ✓ Examine HB 1759 (Aycocock)
- ✓ Review the 2010 TASB school finance plan features
- ✓ Review, ***but do not approve***, a draft update to the 2010 TASB plan and compare to the current system.
- ✓ Provide direction for improving the 2015 updated plan

The Current Equalization System

For maintenance and operations funding:

- Two parts or tiers
 - Tier 1 foundation program
 - Tier 2, guaranteed yield system with 2 different yields
- Features
 - Basic allotment, district adjustments and weights
 - Recapture (two levels)
 - Compressed tax rates, Tier 2 taxes, and tax rate limits
 - ASATR and hold harmless provisions

Current School Finance System, 2015–16



M&O tax rate

Assumes \$1.50 M&O tax rate in 2005

Includes \$25,000 homestead exemption and fractional funding



House Bill 1759 (Ayccock) Plan

Foundation program similar to current law, but . . .

- Eliminates the CEI
- Introduces fractional funding
- Higher basic allotment proposed by Rep. Ayccock (\$5,888)
- Policy levers are the same for HB 1579 and current law



Rationale for 2010 TASB Plan

- Increase system equity to 85% (85% of students in school districts that are on the formula)
- Simplify the system
- Improve adequacy
- Improve equity through different recapture provisions

2010 TASB Plan

Single-tier guaranteed yield

- ✓ Yield of \$51.50/WADA
- ✓ Recapture at \$515,000
- ✓ Minimum gain guarantee of \$30
- ✓ Maximum gain limit of \$200
- ✓ No change to weights or allotments
- ✓ Make it affordable



2015 Updated TASB Plan: A Starting Point

Single-tier guaranteed yield

- \$54.00/WADA yield
- All tax rates between \$1.00 and \$1.17
- 100% of CEI
- Remove
 - Tax rate compression
 - Target revenue and ASATR
 - Fractional funding
- \$100 minimum gain and \$300 maximum gain



TASB Plan 2010 and 2015

2010 – year 1

- \$51.50 yield
- \$515,000 recapture
- \$0.95 min. tax rate
- \$1.17 max. tax rate
- \$30/WADA min. gain
- \$200/WADA max. gain
- CEI at 50%
- No change to weights or size adjustments
- 37.4% equity, improving to 85% in 6 years

2015 -- year 1

- \$54.00 yield
- \$540,000 recapture
- \$1.00 min. tax rate
- \$1.17 max. tax rate
- \$100/WADA min. gain
- \$300/WADA max. gain
- CEI at 100%
- No change to weights or size adjustments
- No equity target (already exceeds 85%)

TASB's Proposed Single-Tier, Guaranteed Yield System

DRAFT



2015 TASB Plan: First Results

- Adequacy improves somewhat: \$3.3B additional funds
 - All property wealth groups, district size groups and type groups see revenue gains
- Equity results are mixed:
 - Currently, more than 85% of students are in districts on the formulas (new definition needed)
 - Some old disparities are perpetuated in the 2015 plan
 - There are no ‘losers’ but the pattern of ‘winners’ may not be acceptable

2015 TASB Plan: First Results

- Equity continued
 - Analysis of results by wealth per WADA show somewhat greater benefits to high property wealth districts
 - Minimum gain and carry-over hold harmless provisions benefit high-wealth districts
 - Non-metro fast growth and rural districts show more revenue per WADA as do small districts (similar to current law)

2015 TASB Plan: First Results

Compared with current law:

- Resources for disadvantaged students:
 - Mixed results in 2015-16 and more support in 2016-17 for districts with greatest need
- Resources sorted by student performance:
 - More resources to districts with lower performance, both years
- Resources for LEP students:
 - More resources to districts with greater need, both years

Updated TASB Plan, 2015

Summary Information, estimates

	2014-15	2015-16	2016-17
M&O per WADA			
Low wealth	\$5,958	\$5,867	\$6,147
Mid wealth	\$5,890	\$5,826	\$6,040
High wealth	\$6,999	\$6,627	\$6,752
Total New M&O Revenue (billions)	\$37.2	\$39.1	\$41.1



Planned Next Steps

- ✓ Revise the 2015 TASB plan based on input today
- ✓ Explore financial implications of improving weights and the CEI (for presentation at TASB spring 2016 meeting)
- ✓ Be prepared to respond to a Supreme Court decision in 2016



Discussion: Issues for Revising the 2015 TASB Plan

- ✓ Specify a different equity goal?
- ✓ Revise minimum and maximum gain levels?
- ✓ Eliminate old hold harmless provisions?
- ✓ Set the plan to a specific biennial cost to the state?
- ✓ Should the plan produce no 'losers'?
- ✓ Other?

