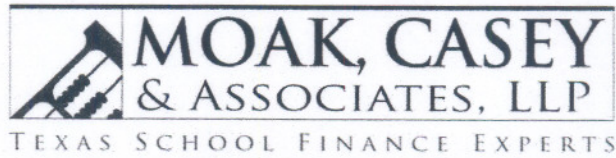


**Beeville ISD
State Funding Analysis
#2-w/Updated Tax**

	Column A	Column B	Column C
Funding Source	Current Law 05-06	HH 06-07 at \$1.50	HB 1
Tier 1	\$8,946,114	\$8,692,248	\$9,709,486
Tier 2	\$5,328,150	\$5,149,523	\$5,973,734
\$110/WADA	\$514,098	\$514,098	\$514,098
Total State Revenue	\$14,788,362	\$14,355,869	\$16,197,318
M&O Tax	\$5,906,826	\$6,647,210	\$5,907,913
Total Revenue	\$20,695,188	\$21,003,079	\$22,105,231 (Column B - Column C=Excess Reve \$1,102,152)
WADA	4673.6183	4673.6183	4673.4201
Rev./WADA	\$4,428.09	\$4,493.97	

Summary HB 1 06-07			
HB 1 Rev	\$22,105,231	Check	
minus	\$1,102,152 (Excess Rev.)	WADA	4673.6183
HB 1 Base Revenue	\$21,003,079	X HH Rev/WADA	\$4,493.97
		Equals Base Rev	\$21,003,079
Additions:			
\$.04 M&O	\$173,952		
Tier 2-Lvl 2	\$641,277		
Sal Allotment	\$660,000		
HS Allotment	\$261,250		
Staff Allotment	\$136,000		
TOTAL REVENUE	\$22,875,558		



House Bill 1, as passed by Senate

May 11, 2006

The Senate adopted HB 1 on Wednesday, May 10th with a vote of 31-0. There were 14 amendments added to the bill, including compromise language regarding the equity and recapture levels.

Overall, the bill provides for a reduction of \$0.17 or to 88.67 percent of current tax rates. Districts reducing tax rates by this amount would first be guaranteed the better of 2005-06 or 2006-07 state aid and local tax revenue. During the 2007-08 school year, districts will reduce tax rates to 66.67 percent. After the initial tax rate reduction, districts could access an equalized \$0.04 **without voter** approval, and an additional equalized \$0.02 in 2008-09 **with voter** approval at rates higher than the normal yield.

The bill also provides a \$2,000 net pay increase for teachers, counselors, nurses and librarians and retains a version of the current \$500 health insurance supplement for both professional and auxiliary staff. The bill also establishes a high school allotment of \$275 per ADA, and approximately \$300 million for incentive pay programs (\$100 million beginning in 2006-07 for campus incentive programs, and approximately \$250 million in 2007-08 for both teacher and campus incentive programs).

The bill contains significant changes to accountability including provisions for the outside management and closure of certain low-performing schools, the addition of financial accountability to the accreditation system with accompanying sanctions, a host of new school district efficiency measures including spending targets, and uniform school start dates (fourth Monday in August).

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Tax Rates

M&O Tax Rates:

The following reflects the targets for the base M&O rates to which districts tax rates would be set:

2006-07: M&O tax compression rate of 88.67 percent (2005 tax rate * 0.8867)

2007-08: M&O tax compression rate of 66.67 percent ($\$1.50 * 0.6667$). Under rollback the rate could be lower than \$1.00 for districts that could maintain revenues under the formulas at a lesser rate.

Additional Pennies: For 2006-07 and 2007-08, districts are allowed \$0.04 of additional pennies without voter approval. These four pennies will be equalized at the revenue per weighted student available to Austin ISD (estimated by the LBB to be \$41.21 for 2006-07). These pennies are not subject to recapture. In 2008-09, if the voters approve and the district adopted a \$1.50 M&O rate for tax year 2005, districts are allowed an additional \$0.02 at this guaranteed yield level. If the district's tax rate was below \$1.50 in 2005, it may be able to access the additional \$0.02 at the higher Austin ISD yield without a vote. These additional pennies are not subject to recapture.

For effort below the rate equal to the product of the state compression percentage multiplied by the M&O tax rate adopted by the school district for the 2005 tax year, the guaranteed yield and recapture level are set at the 88th percentile (currently \$31.95 and \$319,500). For effort above the \$0.04 of additional pennies in 2006-07 and 2007-08 or \$0.06 additional pennies in 2008-09, the guaranteed yield and recapture levels are set at the 88th percentile.

Rollback Rate Provisions:

2006: Rollback rate = 88.67 percent of the 2005 M&O tax rate + 4 cents + debt tax rate

2007: Rollback rate is the lesser of :

- 1.) Effective tax rate (rate to maintain revenue per WADA under formulas) + 4 cents + debt tax rate, or

- 2.) $(66.67\% * \$1.50) + 4 \text{ cents} + \text{debt tax rate} + \text{any other pennies previously authorized by voters (districts currently taxing above } \$1.50 \text{ will substitute current rate in place of } \$1.50)$

Examples of Maximum M&O Tax Rates without Election, assuming maximization both years:

2005 M&O Tax Rate	2006 Tax Year	Estimated 2007 Tax Year
\$1.60	\$1.46	\$1.11
\$1.50	\$1.37	\$1.04
\$1.40	\$1.28	\$1.01
\$1.30	\$1.19	\$0.95

Finance Related Provisions

Formula Elements: The guaranteed yield, equalized wealth level, and basic allotments were increased to the 88th percentile yield. The LBB estimates the new guaranteed yield at \$31.95, the new equalized wealth level at \$319,500, and the new basic allotment at \$2,748.

Hold Harmless:

Districts will be held harmless using the best of the following three calculations:

- 1.) Districts would be held harmless at the greater of their 2005-06 state and local revenue per weighted student, including an amount equal to the product of \$2,500 multiplied by the number of classroom teachers, counselors, nurses, and librarians **and** an amount equal to the product of \$275 multiplied by the number of students in average daily attendance in grades 9-12.
- 2.) The state and local revenue that would be generated under current law using the 2005 tax rate and average collections rates for the past three years, including an amount equal to the product of \$2,500 multiplied by the number of classroom teachers, counselors, nurses, and librarians **and** an amount equal to the product of \$275 multiplied by the number of students in average daily attendance in grades 9-12.

- 3.) The state and local revenue that would be generated under current law using the tax rate for tax year 2006 that maintains revenue per weighed student under current law formulas, including an amount equal to the product of \$2,500 multiplied by the number of classroom teachers, counselors, nurses, and librarians **and** an amount equal to the product of \$275 multiplied by the number of students in average daily attendance in grades 9-12.

If a district receives more revenue from the increases in the basic allotment, guaranteed yield, or equalized wealth level than the revenue from the hold harmless calculation, the commissioner must reduce the amount of state aid provided to the district equal to the excess revenue or require Chapter 41 districts to purchase more attendance credits. The hold harmless calculation includes:

- the \$110 per WADA that districts currently receive,
- for chapter 42 districts that participated in a chapter 41 agreement in 2005-06, the amount of any gain that district received as a result of the agreement (minus any payment to a third party) if they are under the hold harmless related to 2005-06 revenue per WADA or the amount of revenue that they would have received if the district had not participated in the agreement and had taxed at a rate of \$1.50 if they are under the 2006-07 hold harmless. If the district participates in a similar agreement in 2006-07, the gain in 2006-07 would be subtracted from the hold harmless amount;
- any adjustments made for declining ADA;
- any adjustments made for declining property values; and
- any adjustments made due to protests by a major tax payer.

Hold harmless funds are counted against required recapture payments for chapter 41 districts.

Beginning in 2009, the last payment from the FSP would be once again paid on or before August 25 rather than September 10 (this would **repeal the payment delay** passed in 2003), a one time cost of approximately \$800 million.

Tax Rate Notices: Districts will now be required to separate their M&O and I&S tax rates on tax notices.

Over 65 Freeze: Would adjust the freeze amount downward based on property tax rate reduction if a constitutional amendment passes.