

Select School Finance Committee Hearing, May 19, 2010

Good Afternoon, I am Dr. Jerry Roy, Superintendent of Schools for the Lewisville Independent School District. It is a privilege for me to be here with you today. My testimony will consist of four areas:

- 1. Lewisville ISD statistics, which I hope will assist you in putting some of my comments into context.**
- 2. Financial challenges surrounding Target Revenue and other funding allotments.**
- 3. Solutions for the committee's consideration as you move forward to improve public school funding.**
- 4. Forms of relief until a more robust funding system can be implemented.**

Part 1. Lewisville ISD's Facts & Figures

Lewisville ISD serves 50,600 students, covers 127-square miles and provides educational services in all or portions of 13 municipalities. Currently, our district enrolls about 500 new students each year, which is equivalent to a new elementary school.

Previously, LISD experienced rapid growth where enrollment grew between 1,000 to 2,000 new students annually. At build-out, LISD is projected to have an enrollment of 65,000 students.

Our student demographics include:

- **23.6% are economically disadvantaged,**
- **9.9% require special education services,**
- **12.3% are English-Language-Learners,**
- **26.2% are At-Risk**

Similar to state demographics, approximately 60% of the 500 new students enrolling in LISD qualify for free- and reduced-lunch, require special education services or are English Language Learners.

Part 2. Inadequate Funding In Texas

With the statistics I just mentioned, the current Target Revenue allotment is not only efficient, it is not equal. There is no mechanism built within the Target Revenue system to manage rising costs. This year, LISD will have spent \$537 more per student than is provided with property tax revenue and state funding.

Among the select school finance committee members, there are drastic differences of Target Revenue within the school districts you serve.

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| • Plano ISD - \$5,416 | • Dallas ISD - \$5,203 |
| • Houston ISD - \$5,102 | • Garland ISD - \$4,652 |
| • Cypress-Fairbanks ISD - \$4,489 | • San Antonio ISD - \$4,693 |

- Killeen ISD - \$4,667
- Alief ISD - \$4,674
- Conroe ISD - \$5,103
- Lubbock ISD - \$4,659
- Lewisville ISD - \$5,461

Northwest ISD, a district bordering LISD, receives \$1,000 more per student than Lewisville ISD. These numbers represent the inequity of the Target Revenue system.

The Cost of Education Index (CEI) is another area of the funding system where inequities exist. The Cost of Education Index for LISD is 1.14. The 2009 average market value of a home per the Denton County Central Appraisal District for Lewisville ISD was \$241,892. Harlingen Consolidated ISD's CEI is 1.17. The 2009 average market value for a home per the Cameron County Appraisal District was \$89,794. The home values indicate that the CEI should be higher for Lewisville ISD than for Harlingen Consolidated ISD since LISD must pay teachers more due to the cost of living, which is not the case. Payroll costs are the largest expense for school districts and this ratio does not consider this issue.

The state provides \$2.2 million in transportation; LISD's actual cost for transportation is \$8.6 million. Since 1989, LISD's transportation cost has increased by 95% while funding has increased by only 40%.

The funding formula that existed prior to the Target Revenue system allowed a school district to benefit from growth in property values. The local share was calculated using the prior year's property values times 86 cents. The tax revenue generated from current year growth in property values were outside the funding formula and retained by the school district. The years where property values experienced significant growth, the school district had additional dollars. For example, if LISD property values grew by \$2 billion, at a tax rate of \$1, the resulting increase in tax revenue for LISD would have been \$20 million. These additional funds allowed LISD to manage student growth, inflation and sustain competitive salary and benefit packages for employees. Our constituents assume their local district benefits from having strong property values, but this is a misconception given the current funding system.

After I share with our constituents the district's revenue is capped at the target revenue amount without a yearly or biannual adjustment for inflation, they ask what happens to the increased property tax dollars. As you know, the state's rainy day fund was built with these local dollars and should be returned to support its local public schools.

The only option for school districts to increase revenue is to increase the tax rate. For most of us that means a Tax Rollback Election. Currently, LISD is exploring a TRE this fall. LISD may be joining the ranks of the other 300 school districts that have already held a TRE. Due to the political climate, LISD's Board of Trustees is reluctant to call this election. In the meantime, LISD has reduced staff to save \$1.6 million as well as cut expenditures by \$9 million. Eliminating paper clips and staples will not fix LISD's projected \$18 million deficit.

While filing for financial exigency is not the desired tool to balance the budget, LISD will have to continue to reduce staff through attrition while hoping to maintain our employees' trust that their well-being is a top priority.

As you know, the state mandated that a percentage of the \$120 per WADA must be allocated for raises for designated personnel. For LISD, more than half of the \$120 per WADA was needed to meet this requirement. Since it requires an entire team to achieve academic success, our Board of Trustees utilized the remaining amount for other personnel. In essence, our district did not receive any additional discretionary funds. Currently, we are awaiting the Attorney General's decision on providing salary adjustments. Based upon this outcome, it may require districts to release staff to pay for it.

Overall, we all know the current Target Revenue system fails our public schools – you know it, our educators know it and our respective communities know it.

Part 3. Formula-Driven System

Since this hearing is based upon the failures of the Target Revenue system, I want to share how a formula-funded system works best in Texas; however, for the this system to work it has to be fully funded, which means more dollars in the public education pot.

Also, there should be specific elements within the formula to make this a sound and sustainable system. These elements include:

- Flexibility in using funds; don't tag dollars. Allow for School Board members, who are elected by the same voters who participate in your election, to have more local control.**
- Develop a meaningful Cost of Education Index. The CEI should include drivers where costs are adjusted annually based upon current data.**
- Return to a funding system that supplements local funding so that revenues from property values can remain**

in local communities. This is the expectation of the taxpayer.

Part 4. Recommendations for relief until a sustainable system can be approved and implemented.

The likelihood of a new and improved funding system in the near future is nominal. In the meantime, there are few recommendations that can provide relief now. In LISD, and in other districts across the state, we need immediate relief. Here are the following recommendations:

- 1. Place a moratorium on the 22:1 student-to-teacher ratio. While this legislative action is positive, it is hindering school districts. Unless the state fully funds this initiative for Kindergarten through 12th grade, it should be lifted. If the ratio increased to 23:1, this would save LISD \$2.5 million. If the ratio increased to 24:1, then this would save LISD an additional \$2.5 million, which would have a total cost-savings of \$5 million.**

The recommendation is to eliminate the cap for those schools with an exemplary or recognized campus rating from the Texas Education Agency.

Recently, the Texas Education Agency applauded school districts that are using the High School Allotment funds efficiently. I am proud to say LISD is one of five school districts in Texas that was recognized. However, it seems to be senseless to applaud the high school allotment while the secondary campuses are getting hammered with larger class sizes because of the domino effect of the 22:1 ratio.

2. Additional new instructional facility allotment funds would assist fast growing school districts.

Traditionally, new schools and facilities don't open at capacity; therefore, the operational costs are higher per student compared to those buildings that are fully utilized. These additional dollars can provide much needed assistance until the school reaches its capacity.

The state constitution calls for an efficient public school system. While Texas public school students are high achieving, the current Target Revenue system is not efficient nor equal. All of us in this room recognize how school districts are suffering.

This year, LISD's Board of Trustees and administrators have made 100 presentations to 5,000 people on the possibility of a TRE. My closing remarks in the presentation

are fitting for today's hearing - "We will have school. Come August, the doors of our schools will open to all of our communities' children. However, you have the opportunity to decide what kind of schools we will have."