

**Testimony before the Joint Meeting of the Senate Education Committee and
the Senate Finance Subcommittee on General Government Issues
August 27, 2008**

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Madam Chair, Mr. Chairman and Committee Members:

My name is Karen Rue and I am Superintendent of the Northwest Independent School District and Chair of the Fast Growth School Coalition. We appreciate the attention the two Committees are giving the issues in its joint Charge that are important to the future of public education in Texas:

Review and make recommendations that address the state's facility infrastructure needs for public schools, ensuring that funding remains stable, reliable and equitable. Examine the need for funding adjustments for factors that affect the need for facilities, such as fast growth, age and condition of facilities, adequacy of space, construction and land costs, and concentration of students requiring smaller class sizes. Assess the impact on property taxpayers of “rolling forward” the Existing Debt Allotment (EDA) each session and the change in biennial appropriations for the Instructional Facilities Allotment (IFA).

The definition that we use to determine eligibility for membership in the Fast Growth School Coalition is the following:

1. Enrollment growth of 10 percent or more over the last five years (slightly faster than the state average) or, alternatively
2. Growth by 3,500 or more students over the last five years, and
3. Enrollment of at least 2,500 students.

There are 112 school districts that meet this definition for the 2007-08 school year. (A listing of school districts sorted by county is attached.) These districts enrolled 1.9 million of the state's 4.6 million public school students last year, exclusive of charter schools. These 112 districts grew by about 392,000 students between the 2002-03 and 2007-08 school years, averaging about a 25 percent increase per district over the five-year period.

A simple statistic indicates the unique role that fast-growing school districts find themselves in: the other 925 school districts currently enroll 2.6 million students but saw their enrollment drop by 9,211 students over the last five years. (See Table 1.) Given the fact that it is the responsibility of our public schools to enroll and educate all students—we can't send students

home because we don't have classroom space for them—it is not surprising that the focus of the Fast Growth School Coalition has been addressing the need for school facilities.

Fast-growing school districts appreciate the support that the state has provided through the Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA) programs. These programs have provided local tax relief for eligible school districts through a direct state subsidy of debt service payments required on voter-approved bonds used for school construction. These funds can only be used to reduce local I&S taxes, so they are a direct form of tax relief in districts with outstanding bonds for school construction. The mechanism used is nearly identical to the tax compression approach adopted for M&O taxes in House Bill 1 in 2006.

At the same time, we do not see the progress on M&O tax compression that has occurred over the last three years reflected in the I&S (interest and sinking fund) taxes for many school districts with high I&S taxes to pay off bonds used to construct or renovate schools. The 2007-08 I&S tax rate for the 122 fast-growth districts averages approximately \$0.29, about 10 cents above the average for the remaining 925 school districts. This results in large part because the level of state support per student for the EDA and IFA programs has not been increased since 1999.

The “roll-forward” of EDA to cover new debt each biennium has been helpful, as have the several rounds of IFA awards. But the fact that the yield of \$35 per ADA has not changed in nearly a decade means that fewer school districts are eligible for state support each year as property values increase and those currently receiving state support end up with less state funding each year. Currently, only 68.4 percent of our students attend school in districts that are eligible for state facilities support and this percentage continues to decrease each year. (See Table 2.) We view the yield issue as the unfinished agenda of property tax relief for districts with high levels of I&S taxes.

The Coalition would make the following suggestions as far as priorities for facilities funding:

1. **The roll-forward of EDA is essential.** The issue before you in January will be to consider providing state support for bonds that have been issued in the 2007-08 and 2008-09 school years, which will extend the coverage of the current EDA program which is limited to debt issued through 2006-07. The ideal solution from a planning perspective would be to provide for a recurring EDA rollover each biennium so that continued funding becomes less of a guessing game each year.
2. **The 29-cent cap on EDA support needs to be eliminated.** EDA support currently is capped at a calculated tax rate of 29 cents, which means that no state support is provided for local I&S taxes in excess of this level. Elimination of the cap would simply allow these districts to use EDA funds for lowering the I&S tax rate they adopt locally.

3. **Consideration should be given to merging the IFA program into EDA, with some up-front funding for property poor districts.** The IFA program could be eliminated and all districts funded under EDA, but only if sufficient funding was provided to allow property-poor districts to meet their debt service costs in the first one to two years after they issue their bonds while awaiting EDA eligibility. There are school districts that simply do not have the tax base to meet their initial debt service costs while awaiting EDA eligibility and addressing the needs of these districts would be essential in coming up with a consolidated facilities funding program. In order to make this work, automatic roll-forward on EDA funding as noted previously would also be required.
4. **Another round of IFA funding is needed.** In the event that a consolidated facilities program is not created, future funding for the IFA program is needed. For the second year of the current biennium, an \$87.5 million appropriation was provided for IFA awards. These prospective awards are made on a wealth-adjusted basis, with property-poor districts receiving priority. While many of these awards go to districts that are not fast-growing, we recognize the need that many school districts have for replacement and renovation of older school facilities.
5. **The \$35 yield for the EDA and IFA programs needs to be increased and indexed to future property value growth.** As noted earlier, the fixed \$35 yield per ADA per penny of I&S taxes has resulted in fewer districts being eligible for state facilities support and reduced state aid for those receiving this support as local tax bases have continued to grow. One possible long-term goal would be to link the state percentage of state and local funds for M&O revenues to that provided for I&S funding. Given that the current M&O goal appears to be a 50/50 state and local split on average, this percentage could be applied to the I&S side as well. This will require some phase-in, since the current state percentage of I&S funding (2006-07) is about 21 percent of total school district debt service. (See Table 3.) But it would address the parity issue between districts forced to construct schools to accommodate growing enrollments and those districts for which this is not a major issue and narrow the 10-cent average I&S tax rate difference between these two sets of school districts.
6. **Funding for opening new campuses needs to be continued and expanded.** What is referred to as the “New IFA” or NIFA program provides \$250 per ADA annually for new students on newly-opened campuses during the first two years of operations. There is a \$25 million annual cap for this program, with an additional \$1 million annual appropriation provided for each year of the current biennium. This program is very beneficial, but the \$250 per ADA student amounts falls short of what it costs to open a new campus. The original research a decade ago suggested a \$500 per ADA award, which is what we would recommend to you. One of the reasons this has become

important is that fast-growing districts no longer receive any first-year financial benefit from growth in their local tax bases. One additional recommendation is that the current cap be eliminated, since it has resulted in proration of these funds below the \$250 per ADA level on several occasions since the program was created.

7. **Avoid additional mandates on the construction of school campuses.** The cost of constructing school campuses has risen dramatically in recent years due to increases in materials and operating costs such as fuel. A number of bills were offered in 2007 that would have required public schools to adopt different types of “green” building standards for school construction. I can assure you that school districts are doing everything they can to manage energy and water costs in an aggressive manner, simply because we need every dollar we have for other operating expenses. What we have observed of the various certification standards such as the LEED program is that they go far beyond what we feel many of our voters are likely to find necessary in order to make our campuses energy efficient and environmentally friendly. Given that local elections on bond issues are the starting point for the construction of school facilities, these local viewpoints must be carefully considered. Incentives to participate in these programs would be fine, but we would encourage staying away from mandating these programs without additional state support.
8. **Consider modifying or abolishing the 50-cent test required before issuing bonds.** While this falls into the category of a technical issue, school districts are required to show the Attorney General’s Office that they can retire all existing debt and any anticipated bond issue with a 50-cent I&S tax rate. While several of the measures we have recommended above would help alleviate this problem, and future local value growth results in almost no district exceeding a 50-cent I&S tax rate, we have heard from some districts that the 50-cent test has required them to issue bonds with longer maturities or take additional steps that may not be the best approach to managing their debt.

Again, we appreciate the work of these two Committees on what is clearly an important issue for Texas public schools. We would be happy to assist you in this effort in any way that you might find helpful.

Table 1: Five Year Enrollment Growth, 2002-03 through 2007-08

	2002-03 Student Enrollment	2007-08 Student Enrollment	Five-Year Enrollment Difference	Five-Year Percent Change
Fast-Growth Districts	1,605,843	1,933,307	391,897	25.4%
Non-Fast Growth Districts	2,657,837	2,647,701	-9,211	-0.3%
State	4,263,680	4,581,008	382,686	9.1%

Table 2: Percent of Students within EDA and IFA Program at \$35 Yield

School Year	% of Students @ \$35 Yield
2007-08	68.4%
2006-07	72.5%
2005-06	74.7%
2004-05	76.1%
2003-04	76.3%

Table 3: IFA and EDA State Share as a Percent of Total Debt Service

School Year	% of EDA and IFA State Funding of Total Debt Service
2006-07	20.9%
2005-06	23.4%
2004-05	23.5%
2003-04	24.8%

**Fast-Growth School Coalition
2002-03 through 2007-08 Enrollment Growth**

District Number	District Name	County Name	Enroll 2002-03	Enroll 2007-08	Difference 2002-03 & 2007-08	2007-08 5 Year % Growth
008902	SEALY ISD	AUSTIN COUNTY	2,344	2,598	254	10.8%
011901	BASTROP ISD	BASTROP COUNTY	7,254	8,538	1,284	17.7%
011902	ELGIN ISD	BASTROP COUNTY	3,070	3,713	643	20.9%
014903	BELTON ISD	BELL COUNTY	6,959	8,314	1,355	19.5%
014906	KILLEEN ISD	BELL COUNTY	31,258	38,229	6,971	22.3%
015909	SOMERSET ISD	BEXAR COUNTY	3,154	3,554	400	12.7%
015910	NORTHEAST ISD	BEXAR COUNTY	55,053	62,181	7,128	12.9%
015911	EAST CENTRAL ISD	BEXAR COUNTY	7,945	8,807	862	10.8%
015912	SOUTHWEST ISD	BEXAR COUNTY	9,640	10,983	1,343	13.9%
015915	NORTHSIDE ISD	BEXAR COUNTY	69,409	86,260	16,851	24.3%
015916	JUDSON ISD	BEXAR COUNTY	17,627	20,634	3,007	17.1%
019907	TEXARKANA ISD	BOWIE COUNTY	5,635	6,448	813	14.4%
020901	ALVIN ISD	BRAZORIA COUNTY	11,756	15,329	3,573	30.4%
020908	PEARLAND ISD	BRAZORIA COUNTY	12,235	17,090	4,855	39.7%
021901	COLLEGE STATION ISD	BRAZOS COUNTY	7,689	9,204	1,515	19.7%
031901	BROWNSVILLE ISD	CAMERON COUNTY	44,340	48,837	4,497	10.1%
031905	LA FERIA ISD	CAMERON COUNTY	2,840	3,355	515	18.1%
031906	LOS FRESNOS CONS ISD	CAMERON COUNTY	7,246	9,108	1,862	25.7%
031912	SAN BENITO CONS ISD	CAMERON COUNTY	9,610	11,044	1,434	14.9%
031916	SOUTH TEXAS ISD	CAMERON COUNTY	2,007	2,660	653	32.5%
036902	BARBERS HILL ISD	CHAMBERS COUNTY	2,945	3,708	763	25.9%
043901	ALLEN ISD	COLLIN COUNTY	12,585	17,102	4,517	35.9%
043905	FRISCO ISD	COLLIN COUNTY	11,145	27,418	16,273	146.0%
043907	MCKINNEY ISD	COLLIN COUNTY	15,279	22,426	7,147	46.8%
043911	PRINCETON ISD	COLLIN COUNTY	2,247	2,674	427	19.0%
043912	PROSPER ISD	COLLIN COUNTY	1,244	2,675	1,431	115.0%
043914	WYLIE ISD	COLLIN COUNTY	5,710	10,743	5,033	88.1%
043919	LOVEJOY ISD	COLLIN COUNTY	902	2,501	1,599	177.3%
046901	NEW BRAUNFELS ISD	COMAL COUNTY	6,285	7,359	1,074	17.1%
046902	COMAL ISD	COMAL COUNTY	11,305	15,151	3,846	34.0%
057906	DESOTO ISD	DALLAS COUNTY	7,592	8,889	1,297	17.1%

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2002-03 through 2007-08 Enrollment Growth**

District Number	District Name	County Name	Enroll 2002-03	Enroll 2007-08	Difference 2002-03 & 2007-08	2007-08 5 Year % Growth
057907	DUNCANVILLE ISD	DALLAS COUNTY	10,956	12,467	1,511	13.8%
057910	GRAND PRAIRIE ISD	DALLAS COUNTY	21,582	25,317	3,735	17.3%
057913	LANCASTER ISD	DALLAS COUNTY	4,318	6,243	1,925	44.6%
061901	DENTON ISD	DENTON COUNTY	15,149	20,892	5,743	37.9%
061902	LEWISVILLE ISD	DENTON COUNTY	43,122	49,636	6,514	15.1%
061908	SANGER ISD	DENTON COUNTY	2,163	2,571	408	18.9%
061911	NORTHWEST ISD	DENTON COUNTY	6,211	11,898	5,687	91.6%
061912	LAKE DALLAS ISD	DENTON COUNTY	3,460	3,978	518	15.0%
061914	LITTLE ELM ISD	DENTON COUNTY	2,989	5,409	2,420	81.0%
070908	MIDLOTHIAN ISD	ELLIS COUNTY	5,090	6,830	1,740	34.2%
070912	WAXAHACHIE ISD	ELLIS COUNTY	5,812	6,561	749	12.9%
071901	CLINT ISD	EL PASO COUNTY	8,216	10,522	2,306	28.1%
071907	CANUTILLO ISD	EL PASO COUNTY	4,715	5,652	937	19.9%
071909	SOCORRO ISD	EL PASO COUNTY	30,078	38,878	8,800	29.3%
079901	LAMAR CONSOLIDATED ISD	FORT BEND COUNTY	17,063	21,936	4,873	28.6%
079907	FORT BEND ISD	FORT BEND COUNTY	59,489	67,992	8,503	14.3%
084901	DICKINSON ISD	GALVESTON COUNTY	6,295	8,228	1,933	30.7%
084910	CLEAR CREEK ISD	GALVESTON COUNTY	31,926	36,314	4,388	13.7%
094902	SCHERTZ-CIBOLO-U CITY ISD	GUADALUPE COUNTY	6,718	10,358	3,640	54.2%
100907	LUMBERTON ISD	HARDIN COUNTY	3,352	3,769	417	12.4%
101902	ALDINE ISD	HARRIS COUNTY	55,367	60,083	4,716	8.5%
101905	CHANNELVIEW ISD	HARRIS COUNTY	7,263	8,428	1,165	16.0%
101906	CROSBY ISD	HARRIS COUNTY	4,120	4,884	764	18.5%
101907	CYPRESS-FAIRBANKS ISD	HARRIS COUNTY	71,165	96,837	25,672	36.1%
101913	HUMBLE ISD	HARRIS COUNTY	26,025	32,970	6,945	26.7%
101914	KATY ISD	HARRIS COUNTY	39,864	54,402	14,538	36.5%
101915	KLEIN ISD	HARRIS COUNTY	35,355	42,935	7,580	21.4%
101917	PASADENA ISD	HARRIS COUNTY	44,836	50,757	5,921	13.2%
101919	SPRING ISD	HARRIS COUNTY	25,492	33,249	7,757	30.4%
101921	TOMBALL ISD	HARRIS COUNTY	8,106	9,388	1,282	15.8%
101924	SHELDON ISD	HARRIS COUNTY	4,183	5,811	1,628	38.9%

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101925	HUFFMAN ISD	HARRIS COUNTY	2,758	3,092	334	12.1%
105904	DRIPPING SPRINGS ISD	HAYS COUNTY	3,307	4,023	716	21.7%
105906	HAYS CONS ISD	HAYS COUNTY	8,663	13,047	4,384	50.6%
108902	DONNA ISD	HIDALGO COUNTY	10,945	14,031	3,086	28.2%
108904	EDINBURG CISD	HIDALGO COUNTY	24,100	29,858	5,758	23.9%
108905	HIDALGO ISD	HIDALGO COUNTY	3,036	3,396	360	11.9%
108908	MISSION CONS ISD	HIDALGO COUNTY	13,802	15,595	1,793	13.0%
108909	PHARR-SAN JUAN-ALAMO ISD	HIDALGO COUNTY	25,210	29,999	4,789	19.0%
108911	SHARYLAND ISD	HIDALGO COUNTY	6,236	8,897	2,661	42.7%
108912	LA JOYA ISD	HIDALGO COUNTY	20,368	26,109	5,741	28.2%
108913	WESLACO ISD	HIDALGO COUNTY	14,623	16,188	1,565	10.7%
108916	VALLEY VIEW ISD	HIDALGO COUNTY	2,695	4,356	1,661	61.6%
126902	BURLESON ISD	JOHNSON COUNTY	6,863	9,047	2,184	31.8%
129902	FORNEY ISD	KAUFMAN COUNTY	3,350	7,015	3,665	109.4%
130901	BOERNE ISD	KENDALL COUNTY	5,172	6,250	1,078	20.8%
152906	LUBBOCK-COOPER ISD	LUBBOCK COUNTY	2,294	3,081	787	34.3%
152907	FRENSHIP ISD	LUBBOCK COUNTY	5,484	6,704	1,220	22.2%
161903	MIDWAY ISD	MCLENNAN COUNTY	5,786	6,404	618	10.7%
170902	CONROE ISD	MONTGOMERY COUNTY	38,016	46,524	8,508	22.4%
170903	MONTGOMERY ISD	MONTGOMERY COUNTY	4,178	6,094	1,916	45.9%
170904	WILLIS ISD	MONTGOMERY COUNTY	4,640	5,945	1,305	28.1%
170906	MAGNOLIA ISD	MONTGOMERY COUNTY	8,557	11,051	2,494	29.1%
170907	SPLENDORA ISD	MONTGOMERY COUNTY	3,022	3,378	356	11.8%
170908	NEW CANEY ISD	MONTGOMERY COUNTY	7,035	8,676	1,641	23.3%
178914	FLOUR BLUFF ISD	NEECES COUNTY	4,991	5,582	591	11.8%
184907	ALEDO ISD	PARKER COUNTY	3,412	4,444	1,032	30.2%
199901	ROCKWALL ISD	ROCKWALL COUNTY	9,616	13,064	3,448	35.9%
199902	ROYSE CITY ISD	ROCKWALL COUNTY	2,494	4,144	1,650	66.2%
212903	LINDALE ISD	SMITH COUNTY	3,042	3,491	449	14.8%
220904	EVERMAN ISD	TARRANT COUNTY	3,845	4,746	901	23.4%
220907	KELLER ISD	TARRANT COUNTY	20,109	29,458	9,349	46.5%

**Fast-Growth School Coalition
2002-03 through 2007-08 Enrollment Growth**

District Number	District Name	County Name	Enroll 2002-03	Enroll 2007-08	Difference 2002-03 & 2007-08	2007-08 5 Year % Growth
220908	MANSFIELD ISD	TARRANT COUNTY	19,162	29,696	10,534	55.0%
220910	LAKE WORTH ISD	TARRANT COUNTY	2,156	2,853	697	32.3%
220912	CROWLEY ISD	TARRANT COUNTY	10,818	14,969	4,151	38.4%
220918	EAGLEMT-SAGINAW ISD	TARRANT COUNTY	7,809	14,165	6,356	81.4%
220920	WHITE SETTLEMENT ISD	TARRANT COUNTY	4,787	5,716	929	19.4%
221912	WYLIE ISD	TAYLOR COUNTY	2,774	3,234	460	16.6%
227901	AUSTIN ISD	TRAVIS COUNTY	78,608	82,564	3,956	5.0%
227904	PLUGERVILLE ISD	TRAVIS COUNTY	15,875	20,807	4,932	31.1%
227907	MANOR ISD	TRAVIS COUNTY	3,020	5,828	2,808	93.0%
227910	DEL VALLE ISD	TRAVIS COUNTY	7,326	9,234	1,908	26.0%
227913	LAKE TRAVIS ISD	TRAVIS COUNTY	4,671	5,871	1,200	25.7%
237904	WALLER ISD	WALLER COUNTY	4,651	5,134	483	10.4%
240903	UNITED ISD	WEBB COUNTY	30,725	39,009	8,284	27.0%
246904	GEORGETOWN ISD	WILLIAMSON COUNTY	8,602	9,938	1,336	15.5%
246906	HUTTO ISD	WILLIAMSON COUNTY	1,640	4,350	2,710	165.2%
246909	ROUND ROCK ISD	WILLIAMSON COUNTY	34,102	40,493	6,391	18.7%
246913	LEANDER ISD	WILLIAMSON COUNTY	16,814	26,551	9,737	57.9%
247903	LA VERNIA ISD	WILSON COUNTY	2,301	2,831	530	23.0%
253901	ZAPATA COUNTY ISD	ZAPATA COUNTY	3,130	3,648	518	16.5%

Fast-Growth Totals 1,541,410 1,933,307 391,897 25.42%

State Totals 4,198,322 4,581,008 382,686 9.12%

