

Good morning, Madam Chair Shapiro, Chairman Williams, members of the Senate Education Committee and members of the Finance Subcommittee on Property Appraisal and Revenue Caps.

My name is George Torres and I am the Deputy Superintendent for Business for the Northside Independent School District in San Antonio.

I am here today to support funding issues that are particular to fast growth school districts. The issues we support include:

- Continuation of the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) as two distinct programs
- Increase in the yield for IFA & EDA funding so that more districts benefit from the programs and more districts can meet facilities needs at lower tax rates
- Increase in the tax rate limitation in the EDA program so that the fastest growing school districts can have access to continued state support
- Increase the New Instructional Facilities Allotment so that the funding-level keeps pace with escalating start-up costs
- A formula that redistributes the benefit of property value growth back to fast growth school districts

Finally, I do have concerns with respect to changes to property appraisals and revenue caps being placed on property values that support fast growth school districts' debt service revenue capacity.

Northside Independent School District, located in the Northwest quadrant of San Antonio, is a fast growth district because of its exploding student enrollment and increasing property tax base. With 88,400 students, Northside is the state's fourth largest school district, and enrollment is projected to approach 100,000 in the next four to five years. In the past seven years the student enrollment has grown from 65,717 to 88,400, an increase of 22,683 students. That represents a 35 percent increase in the student body.

The growth isn't expected to slow down any time soon. The district is 355 square miles, of which 60% is developed. Right now, one out of every two homes built in Bexar County is located in Northside ISD and the district is a destination for both residents and businesses.

Located within the boundaries of Northside are economic generators such as the South Texas Medical Center, USAA, SeaWorld, and Fiesta Texas, as well as major corporations such as QVC Network, Citicorp, The American Funds, and Chase Manhattan. Microsoft is currently constructing a \$550 million data center in the district.

In terms of growth, the taxable tax base increased by \$3.5 billion in 2006-07 (18% increase), \$4.5 billion in 2007-2008 (20% increase) and \$3.5 billion in 2008-2009 (13%). The taxable base increase represents a total increase of \$11 billion in the last three years. The district's current assessed taxable value is estimated to be \$30.8 billion. As you all are aware, this increase in the taxable value does not benefit our local General Operating Fund because of target revenues; but it does provide support toward the Debt Service Fund for the payment of bond principal and interest.

In August we opened five new schools: Brandeis High School, Vale Middle School, and Carnahan, Forester, and Scarborough elementary schools. We will open 12 new schools over the next three years to accommodate an enrollment that is growing by about 3,000 students a year. Fortunately, in the last five bond elections, NISD voters have approved \$1.9 billion in bonds to build new schools and renovate and expand existing schools.

New single family home sales have averaged 5,753 over the last five years. With the housing "slowdown" we expect to have one to three years (starting with 2007-2008) of home sales below 5,000 but then rebound to the 5,000 to 6,000 range until the district is built out.

Of course, new single family housing sales lead to more students. Our studies estimate that an average neighborhood of 100 new single family homes yields 28 elementary school students, 13 middle school students, and 15 high school students for a total of 56 students in grades K through 12.

Why our immediate future may remain one of exceptionally high growth:

- We have teachers who care and family friendly schools
- Quality instructional programs (Exemplary and Recognized campuses)
- A Board of Trustees that is conscious of the bottom line and community desires
- Quality facilities

Combine these factors with developable land, utilities, and a healthy building industry, and it creates a powerful draw, making NISD a “magnet” district.

I share this background information with you so that you can better understand our financial situation.

The adopted tax rate for 2008 is \$1.04 for M&O and \$0.2625 for I&S for a total tax rate of \$1.3025. In 2007-2008 the district qualified for \$15 million in IFA & EDA funding; in 2008-2009 the amount will be less than \$5 million, and in 2009-2010 the district will no longer receive any IFA or EDA funding. The state funding received in the past represented a partnership on the part of local and state efforts to help reduce the I&S tax rate. Due to the fact we will no longer be receiving state funding, there will be more reliance on local taxes to repay the district debt. The total debt requirement for this year will be \$101,446,464.

Northside and other fast growth districts need continued state support and less reliance on local taxpayers to support our facilities needs. Northside is fortunate to have had voter support on its past bond issues, but we fear that support soon may diminish given the increasing burden they are expected to shoulder. Furthermore, any type of appraisal or revenue cap would tend to increase the amount of Interest and Sinking tax rate required to meet our debt service requirements.

Texas needs to recommit itself to the infrastructure needs of public schools. Two programs, the Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA), provide state support to school districts for facilities. The separate IFA and EDA system is not broken; and now is not the time to try to fix it, especially with “temporary” target revenue challenging us all. The IFA & EDA programs are a major source of property tax relief to school districts. However, these programs have not received legislative attention in many years and are in need of improvement. We respectfully request:

- Maintaining the current structure of separate IFA and EDA programs.
- Increasing the yield on IFA and EDA so that more districts benefit from the program and so that districts can meet facilities needs at lower tax rates.

- Increasing the tax rate limitation in the EDA program so that the state's fastest growing districts can have access to continued state support.
- Increase the New Instructional Facilities Allotment from \$250 to \$500 per student.
- Support a formula that redistributes the benefit of property value growth back to fast growth school district.
- Do not place appraisal restrictions and revenue caps on fast growth school districts' debt service revenue capacity.

I will be happy to address any questions the committee may have.

Thank you for your time and consideration.