

**October 14, 2008**

**Public Testimony Provided to the  
Senate Education Committee**

The Honorable Florence Shapiro, Chair  
The Honorable Kip Averitt  
The Honorable Steve Ogden  
The Honorable Dan Patrick  
The Honorable Leticia Van de Putte  
The Honorable Royce West  
The Honorable Tommy Williams  
The Honorable Judith Zaffirini

My name is **H. John Fuller**. I have served as a superintendent of public schools in Texas for the last 30 years. I served five years as superintendent in each of the following districts prior to becoming the superintendent in Wylie ISD: Wells ISD, Muleshoe ISD, and San Marcos CISD. Wylie ISD is located in Collin County. I have served as superintendent in the Wylie Independent School District (WISD) for the past 15 years, and I have provided leadership as WISD has grown from a rural district of less than 3,000 students to a suburban district of 11,380 students. I am also currently serving as the Vice-President for the Texas Association of School Administrators.

I have been involved in building the annual budget in WISD over the past 15 years. WISD is fortunate to have an extremely competent Assistant Superintendent, Brian Miller, serving as the chief finance officer. As you know, the board of trustees of each public school district in Texas must adopt a budget prior to the beginning of each fiscal year. In 2006, WISD changed the beginning of the fiscal year from September 1 to July 1. So, in WISD, building the annual budget begins each year in December. As superintendent, I am responsible for preparing a proposed budget for the members the WISD Board of Trustees to study beginning as early as May of each year (June 19 is the deadline established by law).

The budget building process in WISD has been challenging during the last 15 years; however, with help provided to the district from the legislature (New Instructional Facility Allotment – NIFA, Instructional Facility Allotment – IFA, Existing Debt Allotment – EDA, and the recent compression of the Maintenance and Operation (M&O) tax rate) and with continued economic growth and student population growth, the district has maintained a stable tax rate over the past 16 years (**see attachment #1**). When the legislature captured the “Hold Harmless” snapshot for WISD in 2005-06, the district was taxing at the maximum for the M&O tax; however, we had been able to manage our I&S tax rate and hold it at \$0.3170 in 2005-06. The

proposed Interest and Sinking (I&S) tax rate for the 2008-09 school year is \$0.34. The compression of the M&O ad valorem tax rate was much needed and appreciated in WISD. It allowed us to go to \$1.39, which is 22 cents below the 13-year average prior to the passage of the current school finance law.

In the 2007-08 school year the student growth in WISD slowed (**see attachment #2**), inflation took a turn upward, and the district immediately realized that without help from local ad valorem taxpayers and/or the Texas Legislature, quality education in WISD was going to be threatened. In 2007-08, the district used approximately \$2 M of its \$11.5 M fund balance. I have been asked to address how WISD built and approved the 2008-09 school budget contingent on the passage of a rate-rollback election (often referred to as a tax ratification election). School districts must, by law, adopt budgets that can be funded with anticipated revenue. In fact, public school budgets must have revenue available that is equal to or greater than the expenditures. Therefore, building and approving a budget contingent on the passage of a rate-rollback election is both challenging and “gut wrenching.”

The WISD Board of Trustees views the fund balance as its “rainy day” fund, and has challenged us to not use fund balance for anything other than emergencies and to use the reserve funds only for items which are considered non-reoccurring expenses. The fund balance is WISD’s “cash flow” or, using the term most recently used at the national level, WISD’s fund balance is its “core liquidity.” Even though the district has a substantial amount of debt due to the increase of 9,000 students from January of 2000 to date, WISD has an underlying bond rating of A+. Both Fitch and Standard and Poor’s have cited WISD for its solid management approach to accommodate student growth and noted the efforts of the district to increase the fund balance. The WISD Board of Trustees would ideally like to have a two-month fund balance or approximately \$14 M in the WISD “rainy day” fund. The Texas Education Agency has given WISD a superior rating for the past six years on the Financial Integrity Rating System of Texas. Hence, several things are “up in the air” and a tremendous amount of uncertainty exists when a district adopts a budget based on tax revenue that “may or may not be available” after a tax rate roll-back election.

I will do my best to layout the challenges, and demonstrate how a district builds a budget contingent on a rate roll-back election. The board and superintendent determined in early June that the district needed to exceed a \$1.04 tax rate. How did we know? WISD’s effective tax rate for 2008-2009 as calculated using the state comptroller formulas was \$1.09. The effective tax rate is the rate necessary to operate the district on the same revenue level as the prior year. WISD’s target revenue per student (\$4,984) does not include an inflation factor or provide for pay increases for teachers and staff. Hence, the 2005-06 revenue target was not

keeping pace with the increasing cost of operating the district. For example, WISD's total utility cost has increased \$1,753,640 or 82% since the 2005-06 school year. Beginning salaries for teachers had become less competitive with our neighboring schools **(see attachment # 3)**.

As a first step in balancing the budget, I recommended cutting all individual campus budgets and all central office budgets by 10%; the second step was to remove \$400,000 in travel (staff only) expenditures from the proposed budget. This was painful because much of the success in Wylie hinges on professional growth for both teachers and staff. Professional growth represents approximately 2% of the \$84 M 2008-09 approved budget; hence the \$400,000 cut in travel expenditures eliminated 22% of our professional growth budget. I further recommended building 45 minutes between the staggered start and ending times for students at the elementary schools, intermediate and junior high schools, and high schools in WISD. This better use of buses and bus capacity resulted in a savings of \$800,000 making a total reduction of \$2 M in the proposed 2008-09 M&O budget. In order to remain competitive with teacher, administrator, and staff salaries, the trustees asked that a 5% increase for all employees be included in the 2008-09 budget. After making a \$2 M reduction in proposed expenditures in the 2008-09 M&O budget, the district was \$6 M short of making budget. It was very clear that if employees were to receive a raise, and if the fund balance was to be preserved, the budget needed to be based on the maximum M &O rate of \$1.17 not a \$1.04.

The adopted 2008-09 M&O budget increased by 9% (6.9 M) over the 2007-08 budget. State funding for WISD increased by \$800,000, federal funding increased by \$100,000 and the local funding increased by \$6 M. The district now faces a tax ratification (rate rollback) election on November 4, 2008. The district adopted the budget in June with two salary schedules (one without a salary increase and one with a 5% salary increase). On August 18, 2008, the board voted to adopt a tax rate of \$1.51 to support both the M&O fund and the I&S fund (note because of property value growth, additional EDA state funding and refinancing of some short-term bonds, the district was able to reduce the I&S tax rate by \$0.01). The tax rate of \$1.51 ranks 8<sup>th</sup> out of the 14 public schools in Collin County **(see attachment #4)**.

Now, what does the district do if the voters fail to ratify the \$1.51 tax rate? This is where the rubber meets the road and the stress truly begins. If the voters in WISD fail to ratify the tax rate of a \$1.51, the M&O tax rate will be \$1.04 and the I&S rate will be \$0.34. The total tax rate will be \$1.38 (one cent less than the 2007-08 rate and Wylie ISD will drop to the 11<sup>th</sup> rank in total tax rates in Collin County). The budget will have a \$6 M shortfall. \$3 M was budgeted in the alternative salary schedule. Using this alternate salary schedule (no pay raises) reduces the budget shortfall to \$3 M. This means Wylie ISD will use \$3 M of its reserve funding for this "rainy day" situation (the 2008-09 school year shortfall). This means that our fund balance will

decrease this year from \$9.5 M to \$6.5 M (less than one month of operational expenses). It will most likely take several years to build the "rainy day" fund back to two to three months of operating expenses.

The real challenge will be to prepare a balanced budget for the 2009-10 school year. Because 84% of WISD expenses are in salaries, it will require a reduction in force to eliminate the existing \$3 million deficit and bring forth a balanced budget in 2009-10. This can be done by eliminating specialized teachers currently not being utilized as full-time classroom teachers (teaching specialists in Gifted & Talented, mathematics, and reading), eliminating some administrative positions including some assistant principals, and by invoking a "hiring freeze" thereby reducing over-all staff by attrition. If the tax ratification election fails, the "sky will not fall in Wylie ISD;" however, it will be a gloomy day with a low ceiling because WISD will lose many of its quality teachers to neighboring districts that have a higher "target revenue" per student and thus can pay higher salaries, and it will most likely take years to recover.

As the district staff has moved forward with plans for the election during past weeks, one unanticipated issue has become problematic. Communicating the changes in public education funding is proving to be a true challenge. It is difficult for community members to understand why the district is holding the tax ratification election. Property values in the district rose by \$245 M this year. At the basic funding level of \$1.00 per hundred valuation, this would generate \$2.45 M in funds for the district that is then offset penny for penny against state aid if the target revenue does not change. This means WISD receives less state funding per student in 2008-09 than in 2007-08. Members of the WISD community want to know where the tax money is going that WISD would have generated with the additional \$245 M in increased value. After many years of rising property values helping school districts, questions abound regarding why the WISD's burgeoning business growth is not assisting its schools with the maintenance and operation increases. Confusion also exists because cities and counties are able to raise and are raising their tax rates without voter approval, while school districts are asked to hold elections. Constituents are voicing frustration about the 2005-06 snapshot when the WISD amount is compared to some area districts (**see attachment #5**). Voters perceive that being frugal has hurt the district and spending more has helped neighboring school systems. Face-to-face communication is proving to be the most effective way to address rumors, answer questions, and discuss House Bill 1 and other components of the election. Thus far the WISD has scheduled, and administrators and trustees are speaking to, 65+ different groups. These presentations enhance a comprehensive communication plan that includes the WISD web site, e-newsletter, election video and community wide mailer. The board and staff hope for the best.

Although staff morale is not a financial issue, it is a real and significant problem for districts, especially those whose ratification elections fail, and its impact must be addressed. At the community level, parents and citizens view House Bill 1 as discriminatory. They are concerned that the quality of their schools will not be the same as in the past. In WISD it is primarily viewed as legislation that has been "imposed upon" the district and its students that will cause unnecessary harm.

Texas as a whole is facing tremendous economic challenges. However, the actions that would help assist districts in the 2009 session are listed below:

- (1) Authorize tax ratification elections in May to allow for adequate budget planning
- (2) Consider increasing the value of the discretionary pennies
- (3) Add an inflation factor to the per student target revenue amount
- (4) Update target revenue (new snapshot)
- (5) Increase the technology allotment
- (6) Provide early payments through the state payment schedule for districts with less than two months undesignated fund balance
  
- (7) Increase the high school allotment to support adding math and science to the graduation plan
  
- (8) Provide additional funding for Pre-Kindergarten
- (9) Increase the number of pennies a district can access without voter approval to two cents a year

When public school funding is revisited in detail (hopefully no later than 2011), the items below merit serious consideration:

- (1) Make public education the first priority in each legislative session by ensuring priority funding for quality educational programs, facility construction, and teacher salary increases
- (2) Replace the current finance system for public education with a formula-based funded system with provisions for continuous updating of formulas
- (3) Increase the share of state funding for public education and reinvest the money the state receives in value growth back into the public school system on top of enrollment growth
- (4) Update Cost of Education Index Formulas
- (5) Increase funding for public education transportation with updated formulas
- (6) Fully fund full-day pre-kindergarten programs
- (7) Provide for “meaningful discretion” by returning decision-making to locally elected officials
- (8) Address the Adequacy, Equity, and Capacity issues addressed in previous Legislation
- (9) Increase facility funding
- (10) Assure that all mandates are fully funded

Thank you for your time, and thank you for placing public education on the priority list.

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## Attachment #1

# Tax Rate in WISD for the Last Sixteen Years

Wylie ISD (Region 10) – Collin County

<u>School Year</u>	<u>M&amp;O</u>	<u>I&amp;S</u>	<u>Total</u>
1993-94	\$1.1100	\$0.4400	\$1.5500
1994-95	\$1.1360	\$0.4140	\$1.5500
1995-96	\$1.1360	\$0.4140	\$1.5500
1996-97	\$1.1600	\$0.3900	\$1.5500
1997-98	\$1.2060	\$0.3440	\$1.5500
1998-99	\$1.3380	\$0.2620	\$1.6000
1999-00	\$1.4100	\$0.1600	\$1.5700
2000-01	\$1.3930	\$0.1770	\$1.5700
2001-02	\$1.4118	\$0.1491	\$1.5609
2002-03	\$1.4300	\$0.1800	\$1.6100
2003-04	\$1.4700	\$0.2500	\$1.7200
2004-05	\$1.5000	\$0.3000	\$1.8000
2005-06	\$1.5000	\$0.3170	\$1.8170
2006-07	\$1.3700	\$0.3325	\$1.7025
2007-08	\$1.0400	\$0.3500	\$1.3900
2008-09	\$1.1700	\$0.3400	\$1.5100
Average	\$1.2988	\$0.3012	\$1.6000

## Attachment # 2

### Enrollment History - Wylie ISD (Collin County, Region 10)

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Tenth Day	Ninth Day	Ninth Day	Projection
	(8/30/96)	(8/22/97)	(8/28/98)	(8/26/99)	(8/25/00)	(8/24/01)	(8/30/02)	(8/29/03)	(8/27/04)	(8/26/05)	(8/23/06)	9/7/2007	9/5/2008	
Pre-Kindergarten	43	35	51	33	52	55	88	113	139	173	237	203	210	210
Self-Contained	4	8	5	4	11	7	8	16	22	20	17	23	36	40
Early Childhood	11	6	12	12	9	18	15	25	23	38	26	33	31	31
Kindergarten	301	315	299	328	325	394	461	534	729	745	828	929	931	931
1	311	329	330	343	386	396	454	545	667	805	838	921	1006	1005
2	306	314	335	355	368	413	440	513	627	705	881	885	969	1086
3	307	313	327	368	365	400	459	513	602	700	786	929	911	1017
4	306	310	323	348	401	398	469	522	610	680	780	838	953	957
5	296	321	327	339	357	419	417	555	598	711	772	818	886	1001
6	291	308	325	355	362	378	453	491	659	650	742	803	848	886
7	287	310	310	357	372	388	442	548	571	718	712	806	825	848
8	285	271	308	336	346	385	422	473	617	631	770	750	811	850
9	297	310	320	375	400	434	467	535	597	742	757	896	852	850
10	234	278	274	281	328	344	379	433	531	601	709	696	783	852
11	183	230	249	256	264	302	339	396	436	516	603	700	680	750
12	172	208	182	217	227	237	282	310	353	380	465	514	593	610
<b>Totals</b>	<b>3,634</b>	<b>3,866</b>	<b>3,977</b>	<b>4,307</b>	<b>4,573</b>	<b>4,968</b>	<b>5,595</b>	<b>6,522</b>	<b>7,781</b>	<b>8,815</b>	<b>9,923</b>	<b>10,744</b>	<b>11,325</b>	<b>11,925</b>
<b>Number Increase</b>	<b>236</b>	<b>232</b>	<b>111</b>	<b>330</b>	<b>266</b>	<b>395</b>	<b>627</b>	<b>927</b>	<b>1,259</b>	<b>1,034</b>	<b>1,108</b>	<b>821</b>	<b>581</b>	<b>600</b>
<b>Average Annual % Increase</b>	<b>6.95%</b>	<b>6.38%</b>	<b>2.87%</b>	<b>8.30%</b>	<b>6.18%</b>	<b>8.64%</b>	<b>12.62%</b>	<b>16.57%</b>	<b>19.30%</b>	<b>13.29%</b>	<b>12.57%</b>	<b>8.27%</b>	<b>5.41%</b>	<b>5.29%</b>



**Attachment #3**

**Starting Salary Comparisons with Neighboring Districts**

Wylie ISD (Region 10) – Collin County

<b>District Name</b>	<b>Beginning Teacher Salary</b>
Allen ISD	\$44,500
Plano ISD	\$44,250
Richardson ISD	\$44,000
Frisco ISD	\$44,500
Rockwall ISD	\$44,800
Lovejoy ISD	\$43,907
McKinney ISD	\$44,000
Garland ISD	\$45,000
<b>Wylie ISD</b>	<b>\$40,000</b>
Royse City ISD	\$40,000
Community ISD	\$36,280
Farmersville ISD	\$35,250

## Attachment #4

# Comparisons of Collin County School District Tax Rates

Wylie ISD (Region 10) – Collin County

### Collin County School District Tax Rates 2008-09 School Year

<b>School</b>	<b>District</b>	<b>M&amp;O</b>	<b>I&amp;S</b>	<b>Total</b>
1	Prosper	\$1.1700	\$0.5000	\$1.6700
2	Blue Ridge	\$1.1700	\$0.3704	\$1.5404
3	Anna	\$1.0401	\$0.5000	\$1.5401
4	McKinney	\$1.0400	\$0.5000	\$1.5400
5	Melissa	\$1.0400	\$0.5000	\$1.5400
6	Celina	\$1.0400	\$0.5000	\$1.5400
7	Lovejoy	\$1.0400	\$0.4750	\$1.5150
8	Wylie	\$1.1700	\$0.3400	\$1.5100
9	Community	\$1.0400	\$0.4550	\$1.4950
10	Princeton	\$1.0400	\$0.4500	\$1.4900
11	Allen	\$1.0400	\$0.4303	\$1.4703
12	Frisco	\$1.0000	\$0.3700	\$1.3700
13	Plano	\$1.0400	\$0.2634	\$1.3034
14	Farmersville	\$1.0400	\$0.2400	\$1.2800

**Attachment #5**

**Target Revenue per Student Comparison with Neighboring Districts**

Wylie ISD (Region 10) – Collin County

District	Target Revenue Per Student	+ or – Per Student	+ or – Total Funds
Allen	\$5,171	\$187	\$ 2,387,429
Frisco	\$5,420	\$436	\$ 5,566,412
Lovejoy	\$7,170	\$2,186	\$27,908,662
McKinney	\$5,469	\$485	\$ 6,191,995
Plano	\$5,409	\$425	\$ 5,425,975
Garland	\$4,572	(\$412)	(\$ 5,260,004)
Richardson	\$5,012	\$28	\$ 357,476
Wylie	\$4,984		