

State of School Finance

Where Do We Go From Here?

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Overview of Texas School Finance Litigation

Court Decision	Legislative Response
San Antonio ISD v. Rodriguez, 411 U.S. 1 (1973)	
Edgewood I, 777 S.W.2d 391 (Tex. 1989)	Senate Bill 1 (1990)
Edgewood II, 804 S.W.2d 491 (Tex. 1991)	Senate Bill 351 (1991)
Edgewood III, 826 S.W.2d 489 (Tex. 1992)	Proposition 1 (1993) – voted down
	Senate Bill 7 (1993)
Edgewood IV, 917 S.W.2d 717 (Tex. 1995)	System Found Constitutional
West Orange-Cove CISD v. Alanis, 107 S.W.3d 558 (Tex. 2003) (WOC I)	None
West Orange-Cove CISD v. Neeley, 176 S.W.3d 746 (Tex. 2005) (WOC II)	House Bill 1 (2006)



Texas Constitutional Provisions

- ARTICLE VII, SECTION 1

- A **general diffusion of knowledge** being essential to the preservation of the liberties and rights of the people, it shall be the **duty of the Legislature** of the State to establish and make **suitable provision** for the support and maintenance of an **efficient system** of public free schools.

- ARTICLE VIII, SECTION 1-e

- **No State ad valorem taxes** shall be levied upon any property within this State



- MUST provide an adequate and equalized funding system that provides for a general diffusion of knowledge and allows districts to meet State curriculum, assessment, and other legal requirements
- MAY rely, in part, upon local property taxes to fund the system
- MAY NOT rely so heavily upon local property taxes that system operates as a State property tax

Supreme Court's WOC Ruling State Property Tax Claim

Need for Local Supplementation

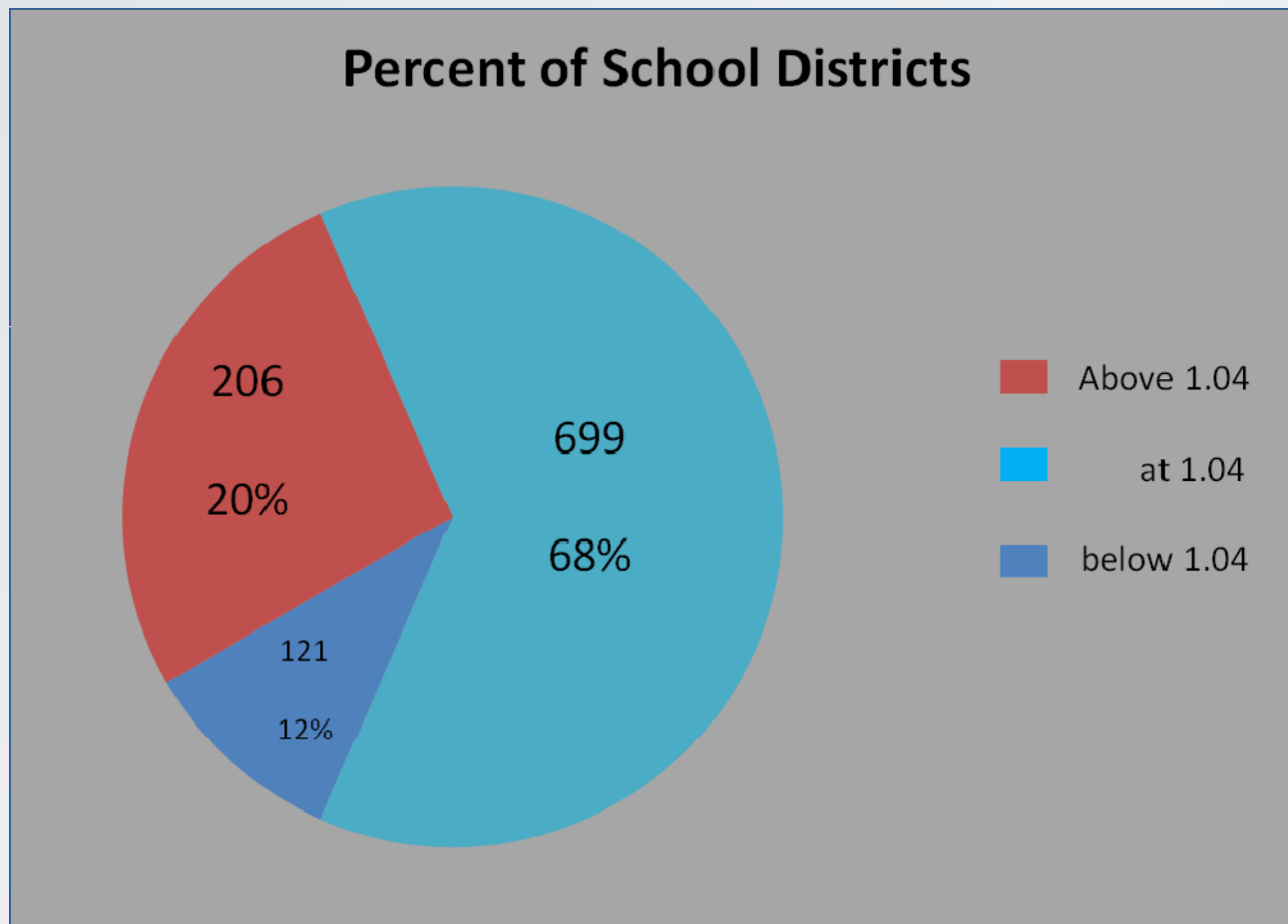
- Local Districts must be able to provide local supplementation to fund programming beyond state educational requirements.
- “The State cannot provide for local supplementation, pressure most of the districts by increasing accreditation standards in an environment of increasing costs to tax at maximum rates in order to afford any supplementation at all, and then argue that it is not controlling tax rates.”



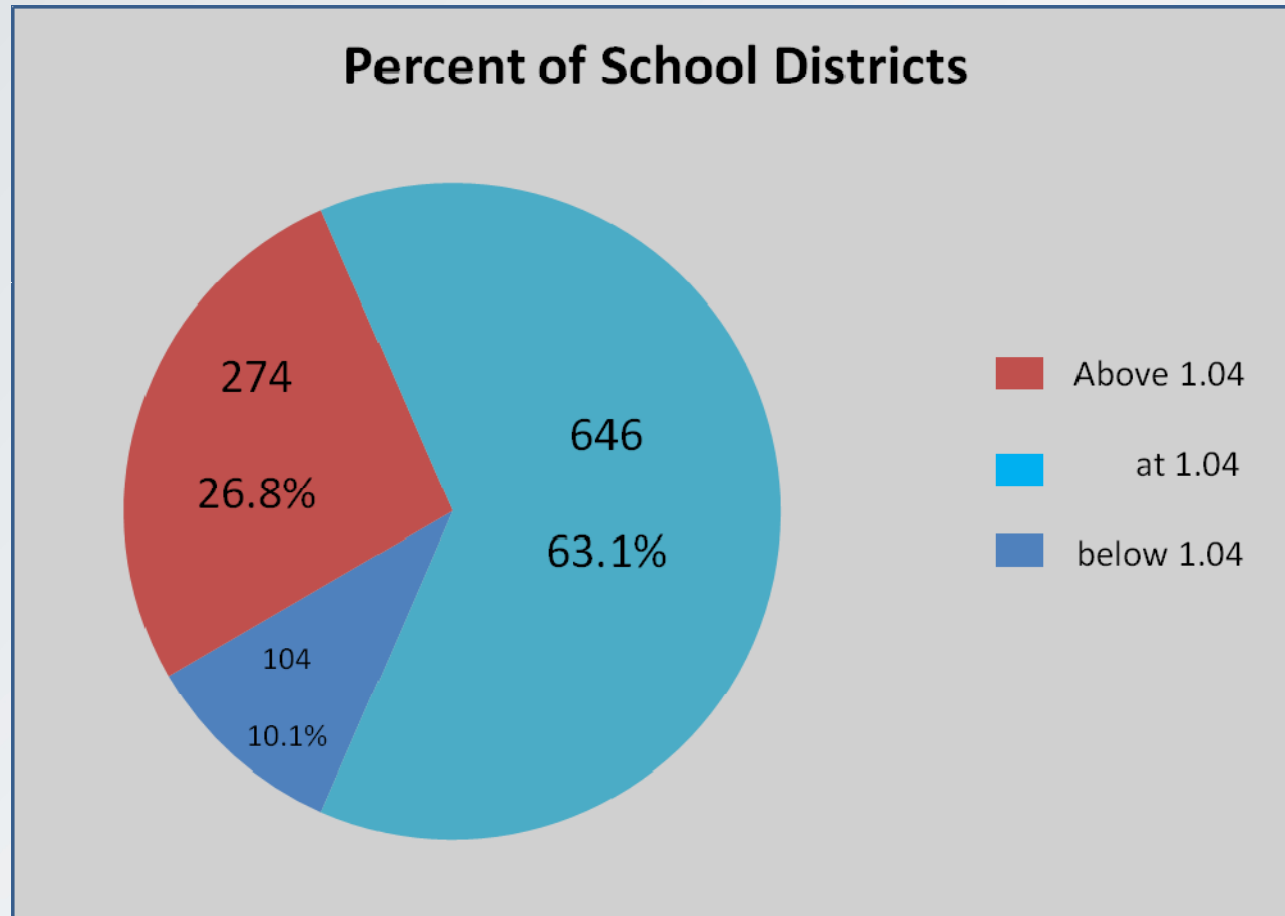
TRE Election Results

	M&O Rate Elections Approved	M&O Rate Elections Defeated	Total School M&O Elections	% Passing
2010 (November)	6	3	9	67%
2010	56	14	70	80%
2009 (November)	20	15	35	57%
2009	29	18	47	61%
2008 (November)	25	26	51	49%
2008	70	46	116	60%
2007	93	28	121	76%
2006	14	1	15	93%
Total	262	107	369	71%

2007 M&O Tax Rates



2010 M&O Tax Rates



Supreme Court's WOC Ruling Adequacy Claim

- Warned that it remains to be seen whether Legislature will reverse the “predicted drift toward constitutional inadequacy.”
- Characterized the situation as “**an impending constitutional violation.**”
- There is “**substantial evidence . . . that the public education system has reached a point where continued improvement will not be possible absent significant change.**”

Supreme Court on Efficiency

- Two types of efficiency:
 - Effective, productive of results, not wasteful (Qualitative Efficiency)
 - Substantially equal access to funding for children in poor and rich districts (Financial/Quantitative Efficiency, or “Equity”)



Supreme Court on Suitability

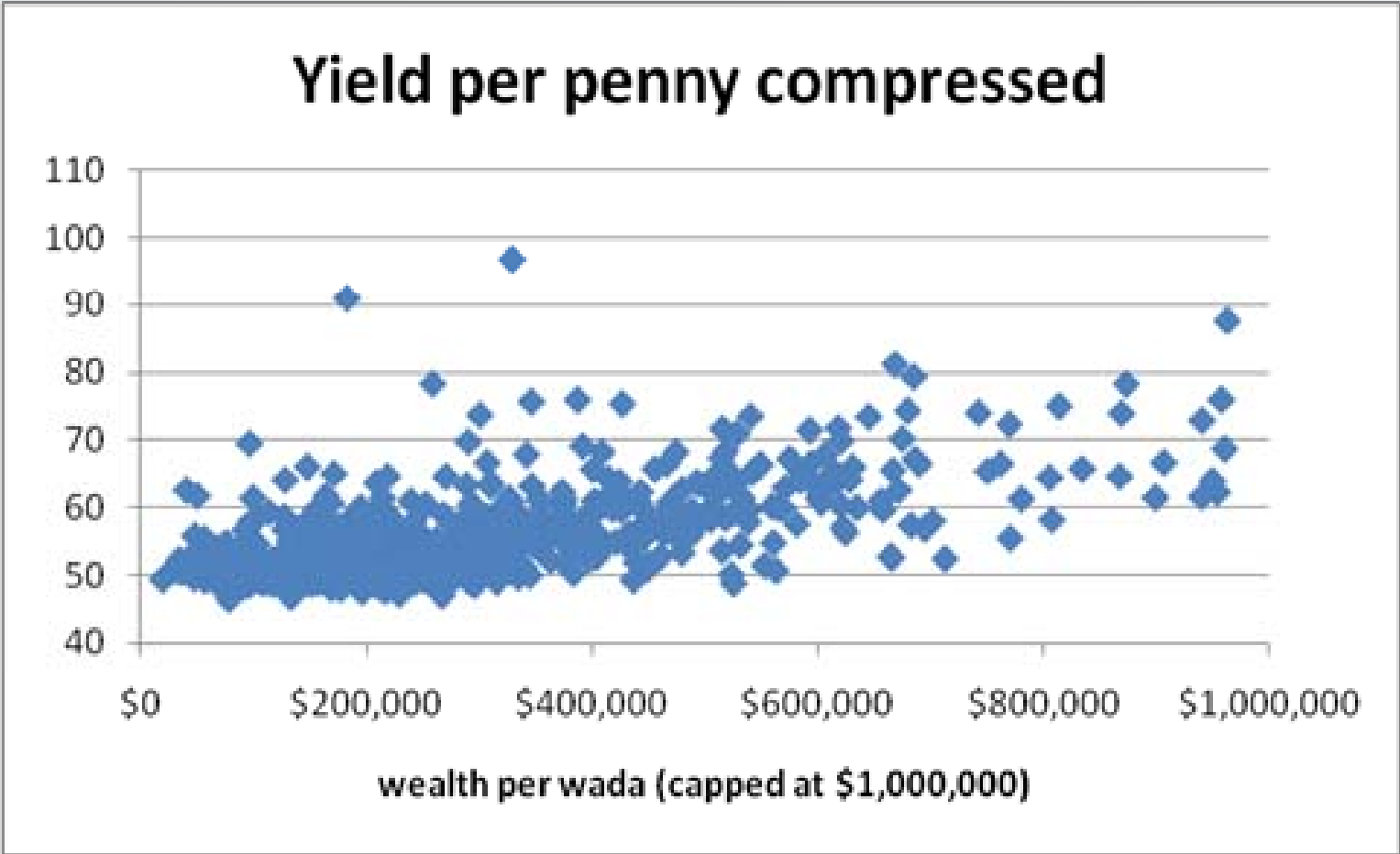
- The Public School System must be structured, operated, and funded so that it can accomplish its purpose for all Texas Children.



Supreme Court on Arbitrariness

- “If the Legislature’s choices are informed by guiding rules and principals properly related to public education – that is, if the choices are not arbitrary – then the system does not violate [the constitution].”

Is this Texas School Finance?



Or is this?



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2010-2011 Biennium

	2009-2010 School Year	2010-2011 School Year
General Revenue	\$11,291,909,617	\$16,848,620,602
ARRA	\$5,875,392,500	-
All Funds	\$25,782,984,618	\$25,570,357,455



2012-2013 Biennium

	2011-2012 School Year	2012-2013 School Year
General Revenue	\$17,113,112,602	\$16,446,158,352
All Funds	\$25,007,821,475	\$24,546,985,523



Rainy Day Fund

(Economic Stabilization Fund)

- **RDF created in 1988**
 - 75% of oil and gas revenue in excess of 1987 level
 - 50% of unencumbered GR at end of each biennium



Rainy Day Fund

Projected RDF by August 2013: \$9.7 B

82nd Legislature used: \$3.2 B

Remaining RDF: \$6.5 B

Medicare use in 2013: \$4.8 B



Public Education Funding

82nd Texas Legislature

For the first time since Gilmer-Aikin in 1949, Legislature failed to fund current law

Foundation School Program current services State aid was decreased by \$4 B

Special programs, grants and allotments were reduced by \$1.3 B

Total true decrease to pub ed is \$5.3 B



Special Programs, Grants and Allotments

- Technology Allotment eliminated \$271 M
- Full-day pre K grants eliminated \$223.3 M
- SSI reduced \$269.7 M
(\$23.5 M remains)
- DATE reduced \$345.1 M
(\$40 M remains)
- NIFA eliminated \$50 M
- Declining ADA, declining property values eliminated



Texas Education Agency

- TEA operations cut \$22 M
(17.2%)
- ESCs cut \$15 M

TEA FTE cap for 2010-11 biennium – 1038

TEA FTE cap for 2011-12 biennium – 795



Public Education Funding

How Cuts are Made

2011-2012

- average reduction of 5.6% compared to current law
- target revenue calculation not changed

2012-2013

- average reduction of 5.4% compared to current law
- target revenue calculation reduced



Federal Education Jobs Funding

- \$830 M
- General use
- Good until September 2012
- Legislature assumed use to offset 2011-2012 school year cuts



Instructional Materials Funding

HB 1 - \$608 M

for continuing contracts and part of
Proclamation 2011

HB H - \$184 M

for continuing contracts, science, and part of
Proclamation 2011

Total \$792 M



The Uncertain Future

- 2013 crisis
- Demographic changes
- Accountability
- Efficiency
- Equity
- Suitability / Adequacy
- Meaningful Discretion

