TASBO

TEXAS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

TSA School Finance Update

September 14, 2022

School Finance Update

- PSF Bond Guarantee Program Capacity
- Special Education Finance Commission
- 2021-22 Near Final Settle-Up
- Property Values and M&O Tax Rate Compression

PSF Bond Guarantee Program Capacity

PSF Bond Guarantee Program Nearing Capacity

- $3.9 billion remaining capacity as of 7/31/2022
- Current Limit set by IRS in 2009 is $117.3 billion

Context: BGP Fiscal Year 2022 through 7/31/2022

	District Issues Activity (in billions)
Issues Guaranteed	$12.7
Issues Refunded or Matured	($6.2)
Net Activity District Issues	$6.5

Federal IRS Action Needed to Increase Capacity

Per *Bond Buyer*: US Dept of Treasury and IRS have been notified

PSF Bond Guarantee Program Capacity

Last Experience with BGP Reaching Capacity

- Previously closed in 2009
- Reopened in 2010 after IRS increased limit

Consequences: Increased district cost for debt issued without PSF Bond Guarantee

Special Education Funding Commission

Draft Recommendations

- Formula-Based Funding
- Non-Formula Funding

ESAs

- Appear to remain unresolved question

Special Education Funding Commission

Draft Recommendations : Formula-Based Funding

Intensity Based Service Formula Funding Structure

- Weight + Service Group Add-On(s) Combinations
- Phased-In Transition
- Cost Undetermined – draft included est current law + $100 million per year

Transportation – Mileage Rate Increase from $1.08

- $1.29 → $5 million per year
- $1.35 → $10 million per year
- $1.42 → $15 million per year

Proposed: Intensity Based Service Formula

ADA × Intensity of Service Weight Tiers 1-7 + Additional Funding Service Group Add-On(s) × $6,160 + SmMid per ADA

~~FTEs~~

~~Instructional Arrangement Multipliers~~

Same as Current Law

Proposed: Intensity of Service Weight

Weight Tier		Est % of Special Ed ADA in Tier	Regular Program ADA Offset Ratio
1	Resource room services in 1-2 of four main content areas	26.0%	2/6
2	Inclusion services in 1-2 of four main content areas	30.0%	0
3	Resource room services in 3-4 of four main content areas	12.0%	4/6
4	Inclusion services in 3-4 of the four main content areas	18.0%	0
5	Full-day self-contained services	9.0%	5/6
6	In-district or Out-of-district day program	4.5%	6/6
7	Residential placement	0.5%	6/6

Proposed: Addt'l Service Funding Group Add-Ons

Funding Group Level		Single or Multiple Add-On(s)	In Addition to Other Groups?
1	Individual ancillary instructional services and special education related services. For example, these would include speech therapy (instructional), physical therapy, occupational therapy, etc (related services).	Multiple	Yes
2	Assistive technology and/or augmented communication or audiological devices	Single	Yes
3	Dedicated staff member for <50% of school day	Multiple in rare cases	Yes
4	Dedicated staff member for 50% or more of school day	Multiple in rare cases	Yes

Possible additional group discussed – behavioral supports

Special Education Funding Commission

Draft Recommendations : Non-Formula Funding

- Evaluation Cost Reimbursement – fixed amount per evaluation, possibly tiered based on district size (scale of economy)
  - $250 per Evaluation → $25 million per year (reimburse 100,000 evaluations)
  - $500 per Evaluation → $50 million per year
  - $1,000 per Evaluation → $100 million per year
- Stipends for SPED Educators
- Subsidy/Waiver of SpEd Certification Fees

Special Education Funding Commission

Draft Recommendations : Non-Formula Funding

- SSES Funding Increase – $100 million to cover current waitlist plus $45 million to continue funding for prior recipients
- Grants to Non-Profits – (state or parent-directed) no cost specified
- Double the CCMR Outcomes Bonus for District Special Education Graduates ~$1.7 million per year

Special Education Funding Commission

Draft Recommendations : Non-Formula Funding

Non-Publics, Residential, & Day Placements

- Capacity Improvements for In-District Day Treatment –$4 million program start-up grants
- Cost Rate Regulation for Residential Facility – state admin costs
- Residential Placement Cost Transparency – no cost
- Build Statewide Capacity for Placements

Next Steps

2021-22 Near Final Settle-Up

Processing Milestones

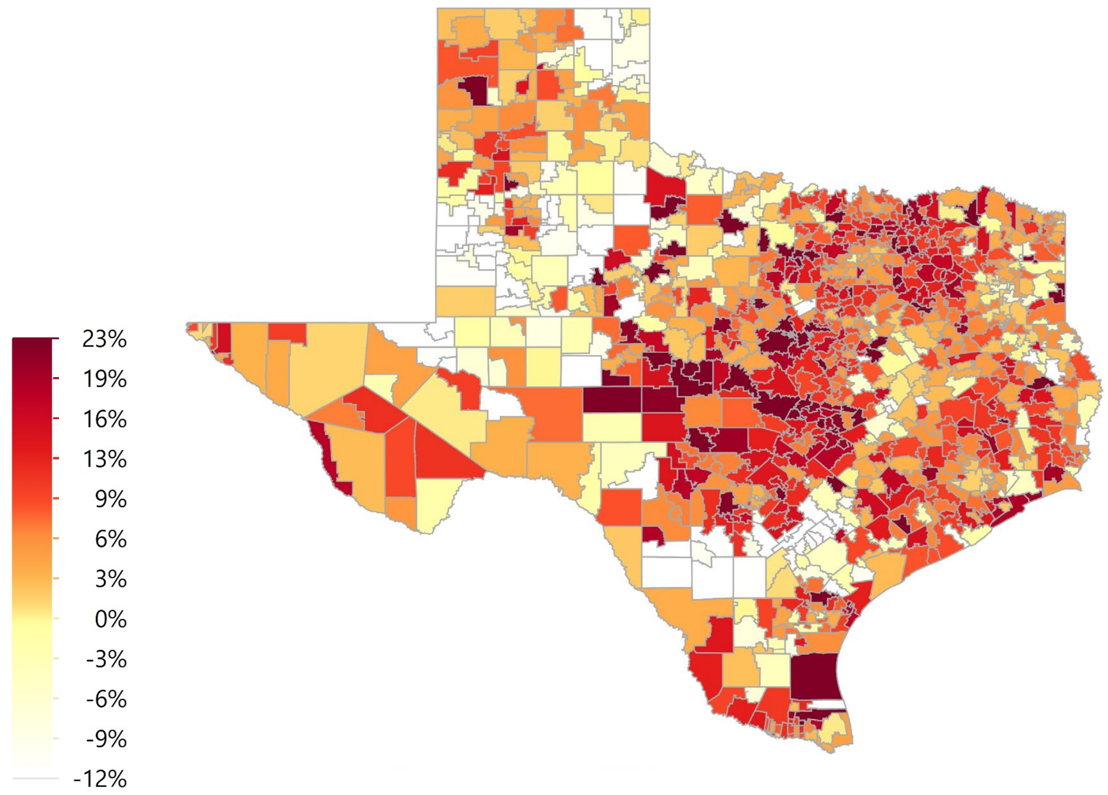
Initial Insights

- $1.0 billion delivered via Operational Minutes Adjustment (OMA) relief for low attendance rates during the first four 6-weeks
- TSA districts $437 million
- Even with OMA adjustment, many districts' earnings remain below estimates used to make 2021-22 payments

Property Value Growth

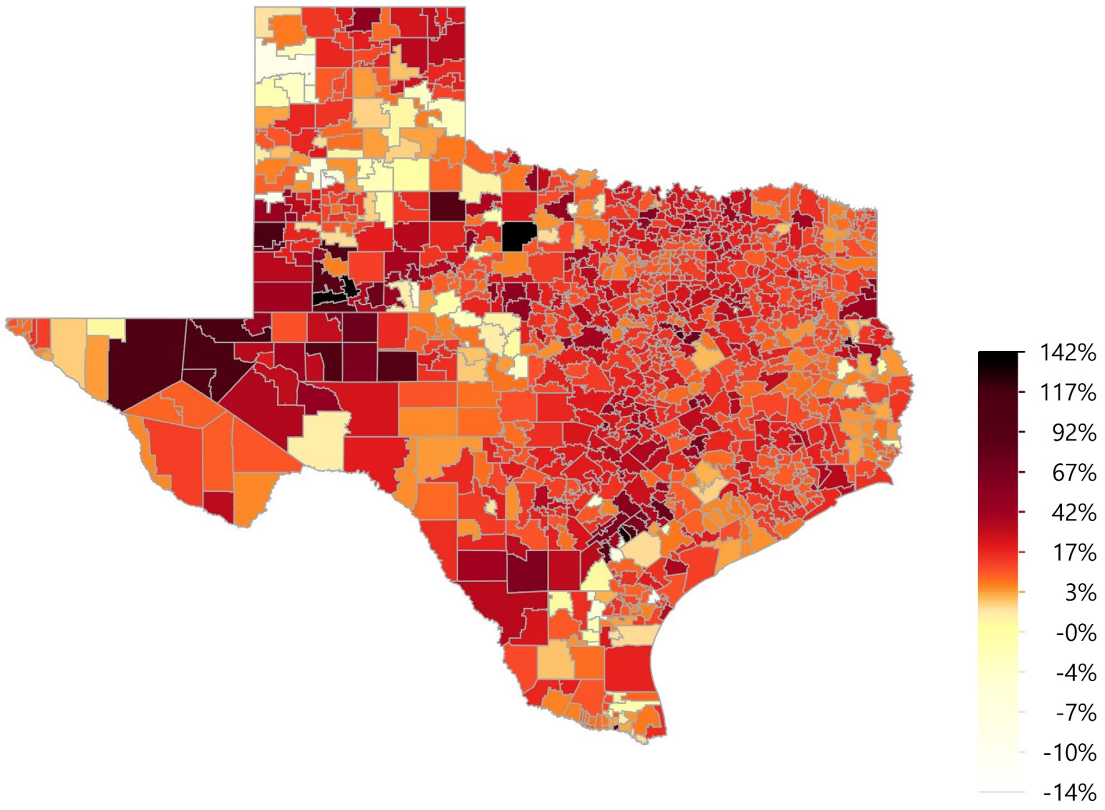
Tax Year 2021 – 6% Growth

August 15, 2022 Comptroller Final Certified Values

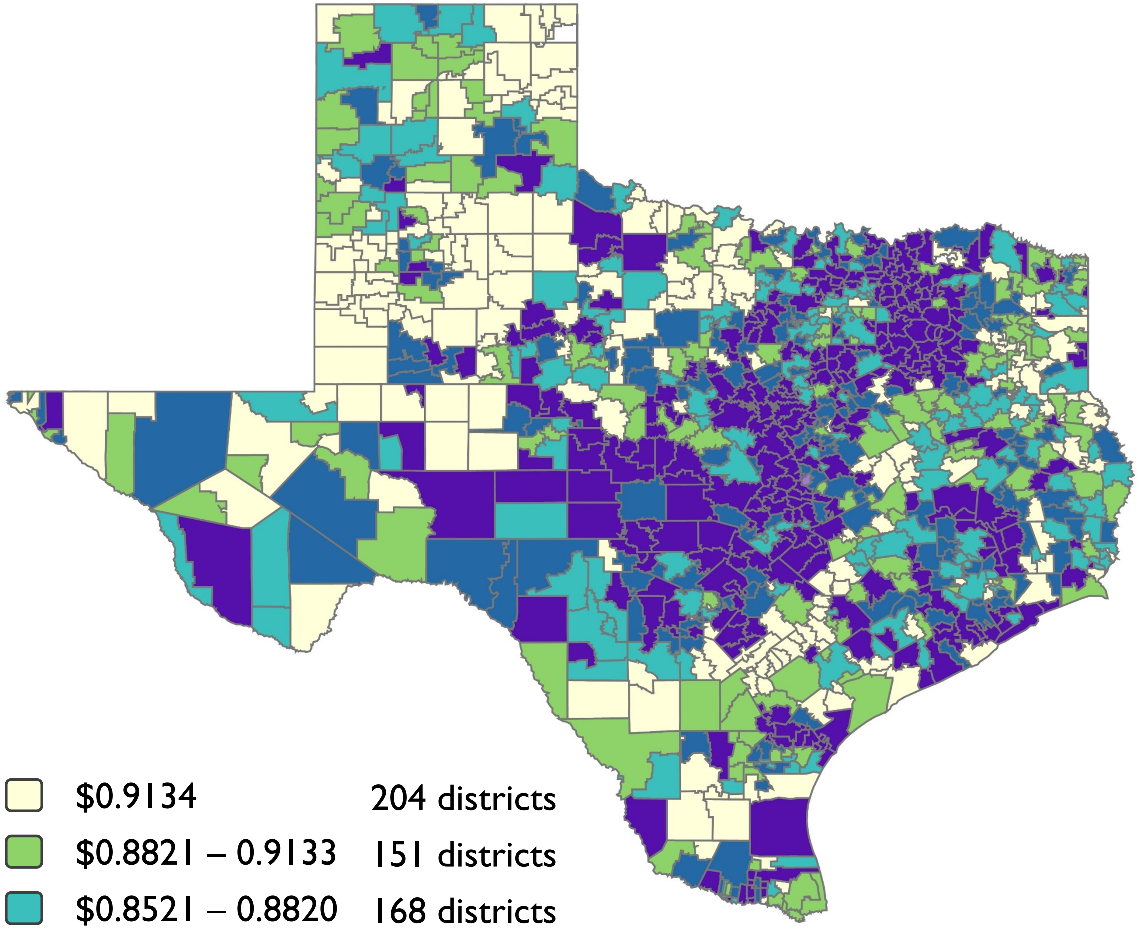


PREVIEW Tax Yr 2022 – 17% Growth

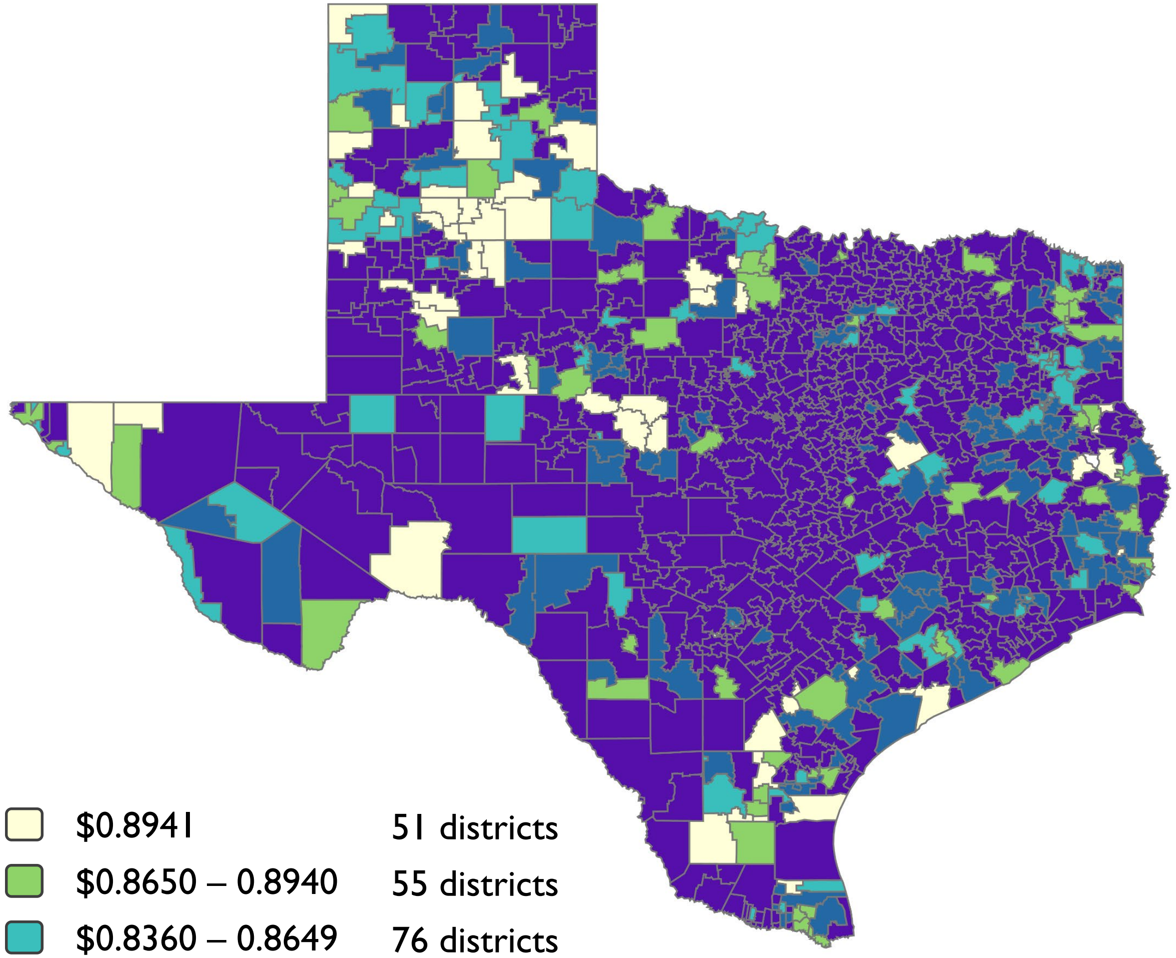
August 31, 2022 TEA Local Property Value Survey



TAX RATE COMPRESSION: Last Year vs This Year



$0.9134	204 districts
$0.8821 – 0.9133	151 districts
$0.8521 – 0.8820	168 districts
$0.8221 – 0.8520	174 districts
$0.8220	318 districts



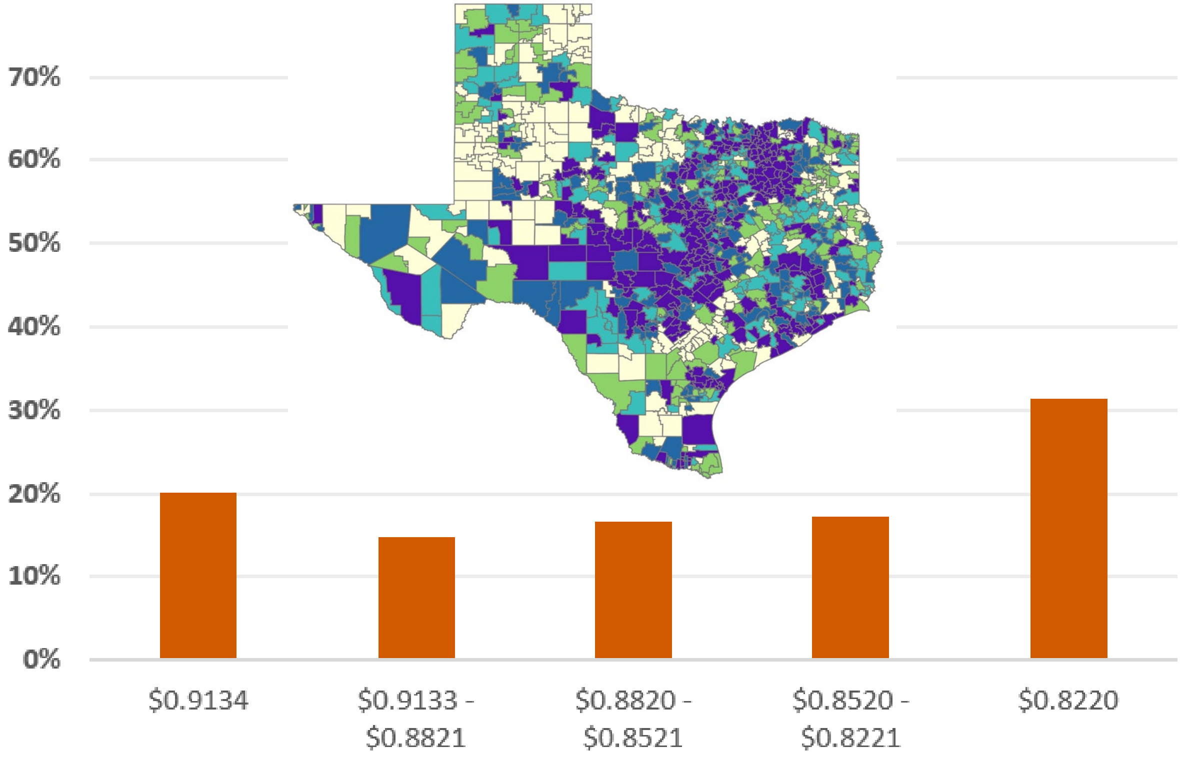
$0.8941	51 districts
$0.8650 – 0.8940	55 districts
$0.8360 – 0.8649	76 districts
$0.8047 – 0.8359	131 districts
$0.8046	701 districts

TASBO

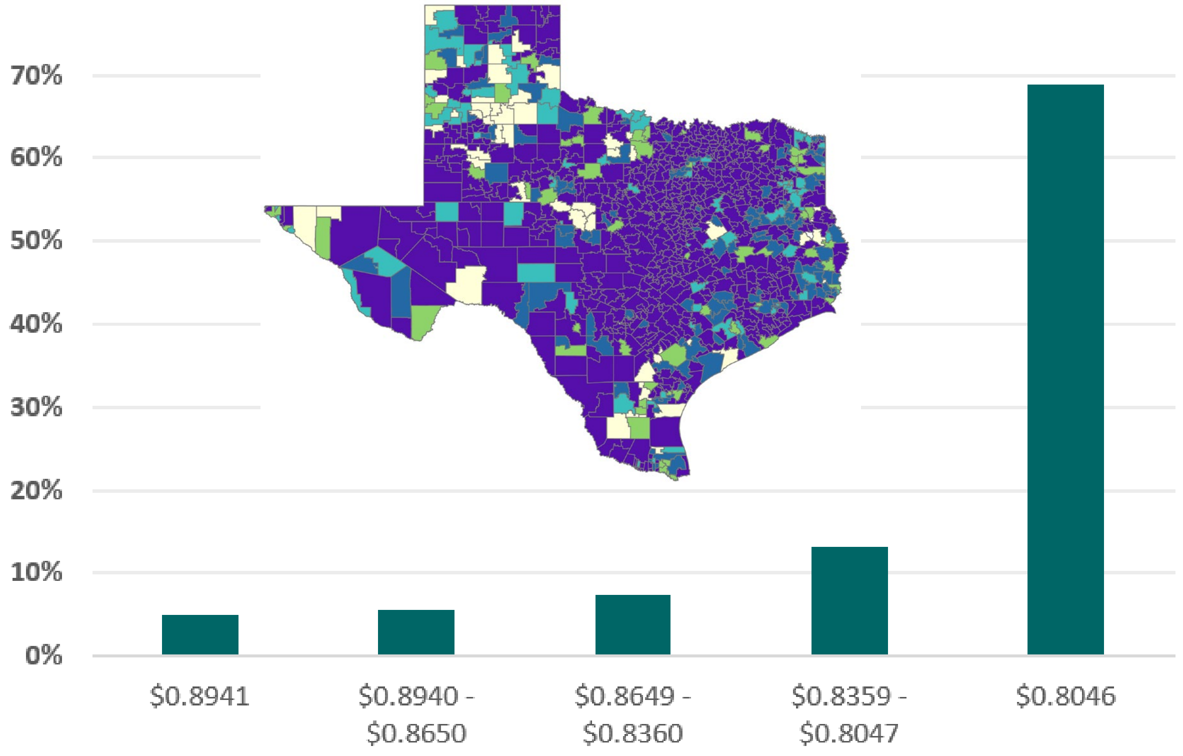
Distribution of MCRs

- Last Year a little more than 30% at Floor
- This Year almost 70% at Floor

Tax Year 2021



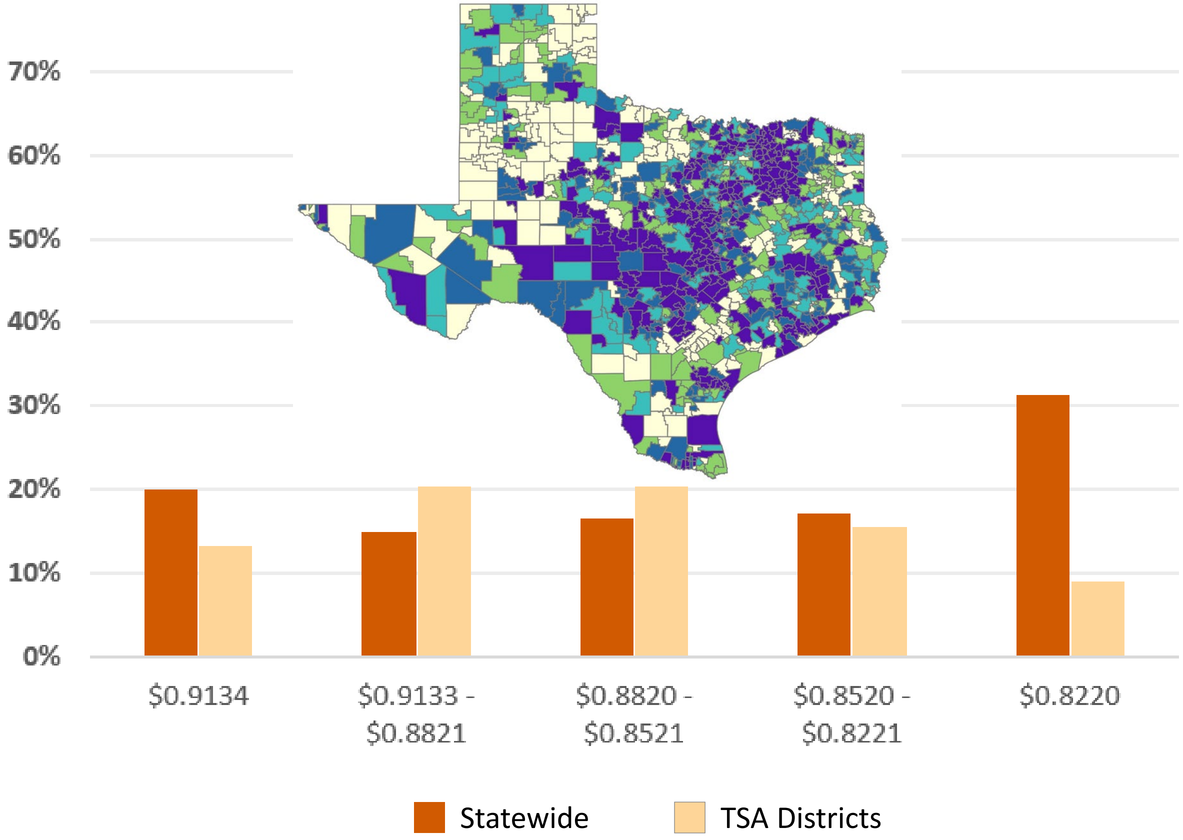
Tax Year 2022



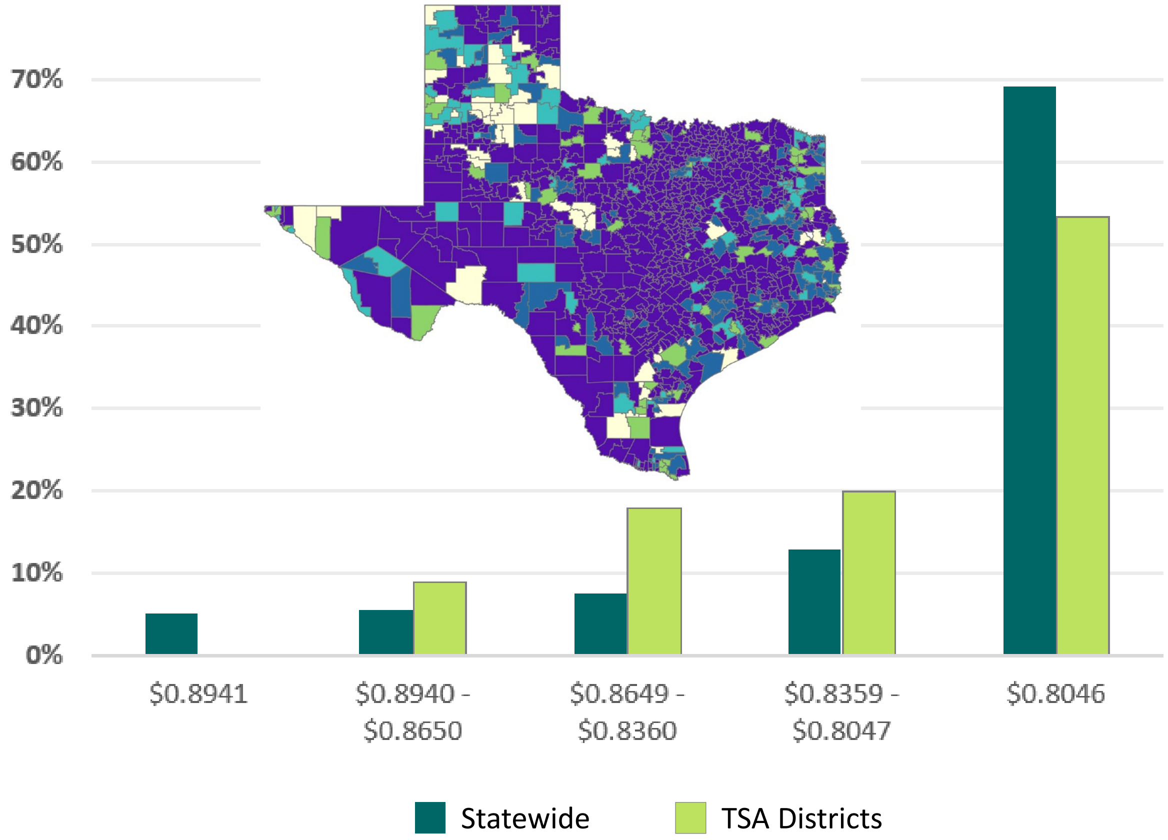
Distribution of MCRs: TSA Districts

- Last Year close to 10% at Floor
- This Year more than 50% at Floor

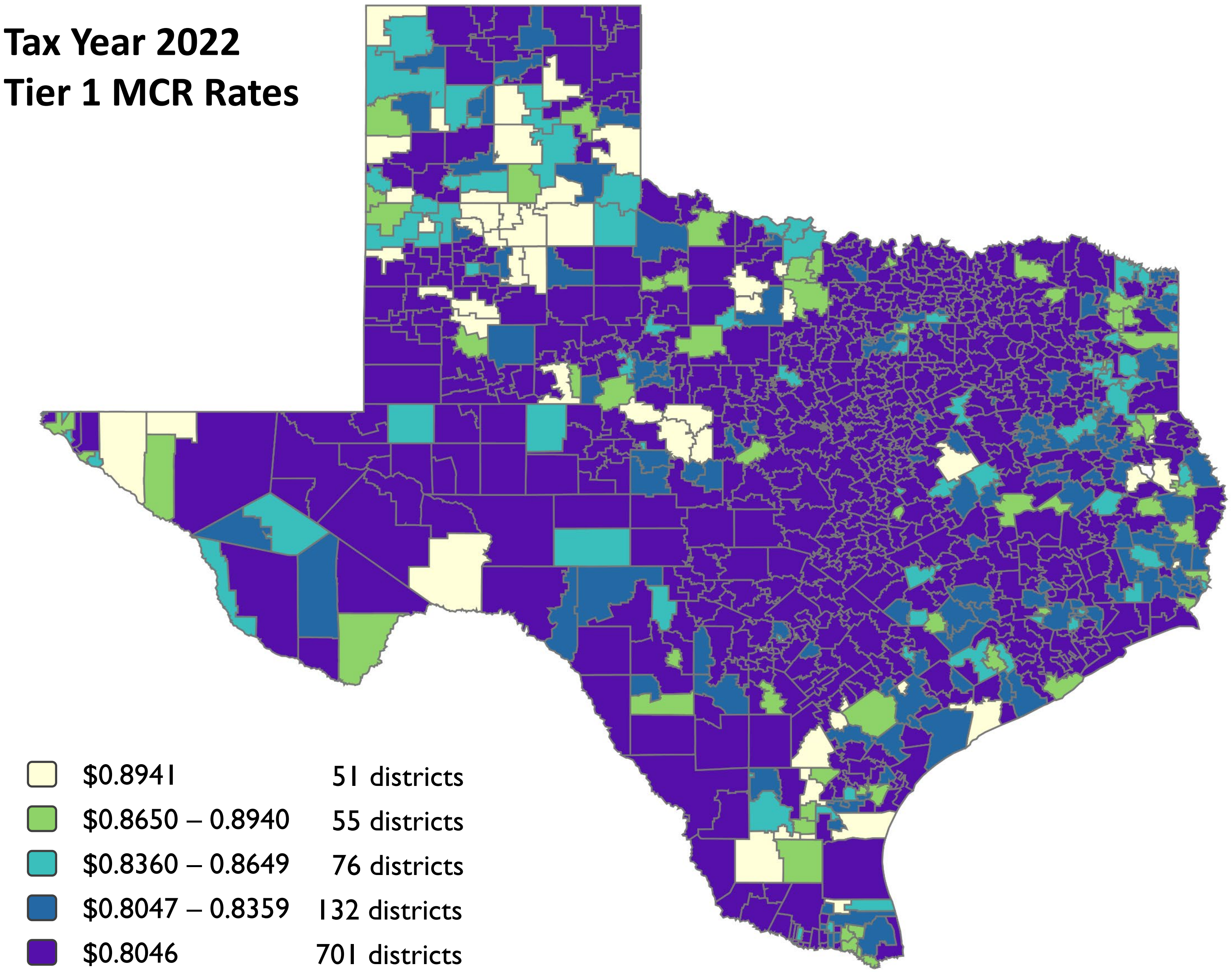
Tax Year 2021



Tax Year 2022



Tax Year 2022
Tier 1 MCR Rates



TSA Districts: – avg change from last year -$0.054

Statewide by Community Type:

Urban – avg change from last year -$0.06

Suburban – average change from last year -$0.049

Other Cities & Towns – avg change from last yr -$0.045

NonMetro & Rural – avg change from last yr -$0.049

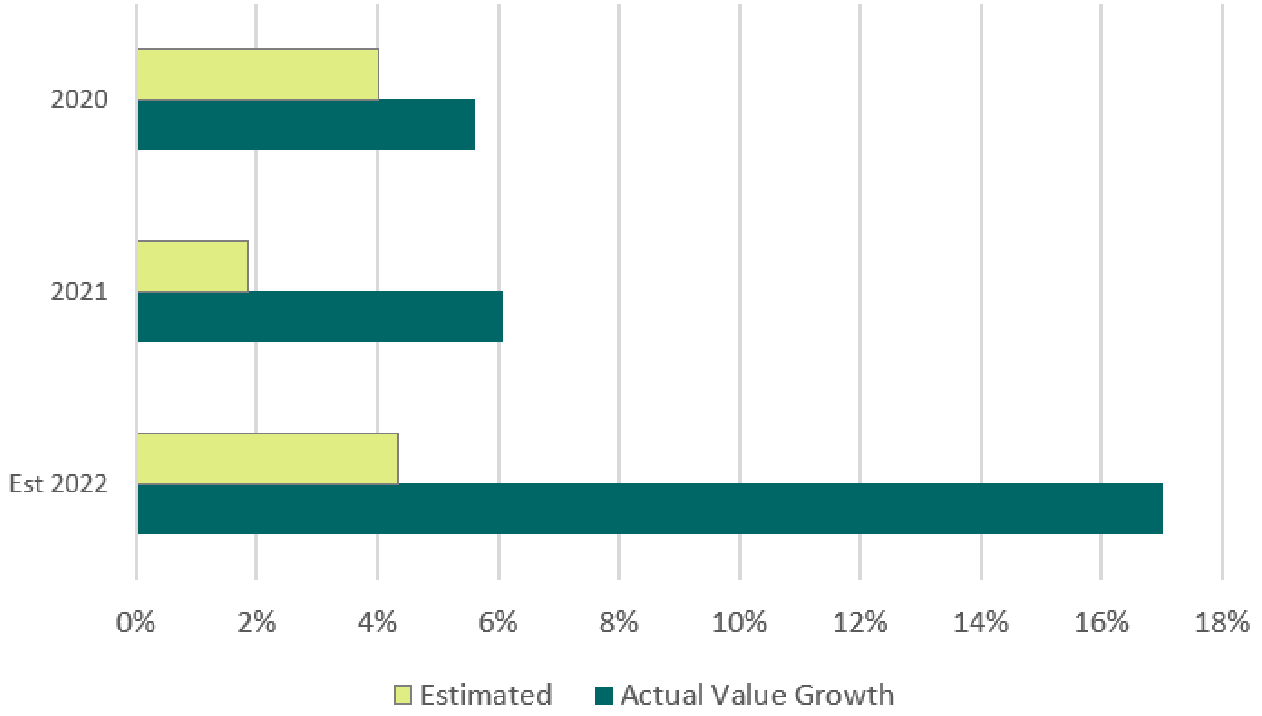
Final MCR Rates by District
as of August 31, 2022
Posted on the TEA Website at:
https://tea.texas.gov/sites/default/files/ty-2022-final-mcr.pdf

Source: Texas Education Agency

Why Are So Many Districts at the Floor?

Estimated vs Actual Value Growth

- Estimated Value Growth is Primary Determining Factor for Each Year's Ceiling/Floor
- Estimates (March 2021) were Conservative due to Uncertainty
- Actual Growth Far Greater



Why Are So Many Districts at the Floor?

What it means for school districts when compression doesn't fully reflect local value growth:

- Taxpayer Frustration
- More Recapture, Higher Local Share/Lower State Share

District A - 10% Value Growth

Last Year's MCR: $0.8220 (floor)
This Year's MCR: $0.8046 (floor)

This year's buy-down: $0.0174

District B - 10% Value Growth

Last Year's MCR: $0.9134 (ceiling)
This Year's MCR: $0.8511 (ceiling)

This year's buy-down: $0.0623

District C - 10% Value Growth

Last Year's MCR: $0.8500 (below mid)
This Year's MCR: $0.8046 (floor)

This year's buy-down: $0.0454

Property Value Growth & Tax Compression

What Happens Next?

- Continued Legislative Focus on Tax Relief
- Pressure/Focus on Comptroller Estimate of Value Growth used to establish baseline State Compression Percentage
- State Savings from Floor 2022-2023 Biennium – roughly $3 billion

  Law Requires Legislature to Invest Savings from Floor in Additional Compression

Thank you for Your Time Today!

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