

SUBJECT: School district payment schedules, parks funding, and other fiscal matters

COMMITTEE: Appropriations — Reported favorably without amendments

VOTE: 23 ayes — Chisum, Guillen, Branch, B. Brown, F. Brown, Crownover, Darby, J. Davis, Dukes, England, Gattis, Hopson, Isett, Jackson, Kolkhorst, Lucio, McClendon, McReynolds, Otto, Taylor, Turner, Van Arsdale, Zerwas

0 nays

6 absent — Allen, Chavez, Harper-Brown, Menendez, Noriega, Riddle

SENATE VOTE: On final passage, May 17 — 31-0

WITNESSES: No public hearing

BACKGROUND: The state disburses funding to school districts on three different payment schedules, according to local property wealth. The system is “front loaded” to provide districts with a large percentage of their state funds — between 25 percent and 45 percent — between September and November. State payments are curtailed for all but the lowest-wealth districts in December through March, when districts receive more income from property tax payments.

Districts are divided into three categories, based on taxable property value divided by the number of students in average daily attendance (ADA). (There is a separate category for charter schools.) Category 1 districts have per-pupil property wealth of less than half of the statewide average. These districts receive their state payments in 10 installments throughout the year. Category 2 districts have at least half the average, but not greater than the average wealth. These districts receive about 40 percent of their state payments in September through November and the remainder between April and August. Category 3 districts, which have above-average wealth, receive 80 percent of their state payments in the first two months of the year and the remaining 20 percent in August.

HB 1 by Chisum, 79th Legislature, third called session, provided a \$2,500 across-the-board pay raise for teachers and other professional employees and a new high school allotment of \$275 per high school student in average daily attendance.

DIGEST:

CSSB 1848 would make several changes related to state fiscal policy, including changes governing the Foundation School Fund payment schedule, employee pay management, the Texas Historical Commission (THC), and the Texas Parks and Wildlife Department (TPWD).

Foundation School Fund payment schedules. SB 1848 would establish new payment schedules for state aid to school districts, except that the \$2,500 teacher pay raise and the high school allotment of \$275 per student in ADA would be dispersed according to the current payment schedule.

Category 1 districts would receive 11 installments, with five payments reduced from 10 percent to 9 percent and others adjusted accordingly. Category 2 districts, which now receive about 40 percent of their payments in September through November and the rest between April and August, would have payments spread throughout the year. They would receive 35 percent of state payments in September through November, 18 percent in January through March, 11 percent in April, 10 percent in May, 7 percent in June, 9 percent in July, and 10 percent in September of the following fiscal year. Category 3 districts, which now receive 80 percent of their state payments in September and October, would receive 13 percent of payments in September and October, 85 percent in five equal installments between January and May, and two percent in September of the following fiscal year.

A school district could apply to TEA for a modification of these schedules for fiscal 2008 or 2009 if the payment schedule would cause financial hardship for the district as a result of the effect of the schedule on the district's cash flow. Such a modification could affect only the timing of payments and not the amount.

TPWD and THC. CSSB 1848 would include the provisions of the House engrossed version of HB 12 by Hilderbran. This would include the transfer of 16 state historic sites from TPWD to THC; requiring 94 percent of sporting good sales tax collections each biennium to be credited to the Texas Parks and Wildlife Department, and requiring 6 percent to the Texas Historical Commission, among other provisions.

Other provisions. The bill would include changes to related to debiting amounts owed to the state from compensation for employees; mileage compensation for judges; the investment options of the state treasury; classification of the Department of Aging and Disability Services employees as “at will” employees; electronic availability of state employee earning statements; and exempting private institutions of higher education from development fees for storm water control facilities.

SUPPORTERS
SAY:

Foundation School Fund payment schedules. SB 1848 would allow the state to spread payments to school districts throughout the year to better manage the state’s cash flow. The bill would affect only the timing of payments and not the amount of state funding any school district would receive.

With the enactment of HB 1 by Chisum, 79th Legislature, third called session, the state’s share of school funding increased significantly, and the state needs to make adjustments to ensure that funding is available to support this increase. Most school districts should have sufficient fund reserves to cover any short-term problems this schedule change may cause. Those districts that do not have sufficient reserves to cover payroll or other scheduled payments could apply to TEA for a one-time adjustment to the payment schedule.

OPPONENTS
SAY:

Foundation School Fund payment schedules. By making last-minute adjustments to payment schedules to school districts to manage its cash flow, CSSB 1848 would make it more difficult for school districts to manage their cash flow. School districts already have adopted budgets and made other financial commitments based on the payment schedule in current law. The deferral of billions of dollars under CSSB 1848 would cause particular hardship because most districts already have reduced local property taxes in anticipation of an increase in state funding. This change could force school districts without adequate reserves to have to borrow money to cover costs, which would lead to additional interest expenses for districts.

NOTES:

According to the LBB, CSSB 1848 would result in a net negative impact in general revenue-related funds of \$165.2 million in fiscal 2008-09.

The House committee substitute replaced language related to TPWD funding in the Senate-engrossed version with the House engrossed version of HB 12 by Hilderbran, which passed the House by 141-0 on May 3 and

was reported favorably, as substituted, by the Senate Finance Committee on May 21. The House committee substitute for SB 900 by Deuell, the Texas Historical Commission sunset bill, on today's Major State Calendar, also includes the text of HB 12.

The House companion bill, HB 3767 by Keffer, was considered in the Ways and Means Committee on May 1 and left pending.