

# Texas Children First

Public School Excellence and  
School Finance Reform

Outline for Senate Bill 2



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### Part One: Goals of School Excellence and Finance Reform

1. Improve the quality of public education for all students
  - a. Quality schools are essential for student achievement and success
  - b. A strong public education system is necessary for the state's economic future
  - c. While additional resources, including a teacher pay raise, are merited, people demand that the overall quality of schools be improved
  - d. Additional resources must be tied to increased accountability and performance (without additional testing)
2. Substantially reduce the local school property tax burden
  - a. More than 700 school districts are at or near the \$1.50 local school property tax rate cap
  - b. Reducing property taxes is the number one policy change to promote growth in the state's economy, according to the Comptroller's dynamic economic model
  - c. Homeowners are angry and frustrated over rising local school property taxes
3. Ensure equity through means other than "Robin Hood"
  - a. We must maintain equity: every child in every district must have access to a high quality education
  - b. Recapture is an inefficient and outdated means of funding schools
4. Preserve the "local control" approach to public education
  - a. The model under which the state sets performance standards and local districts determine how to meet those standards has worked well and should be continued
  - b. Local control ensures the highest quality education by promoting local participation in decisions
  - c. Local control enables districts to vote additional funds (equalized) for public education
5. Reform school funding to be fair and reflect the state's 21<sup>st</sup> Century economy
  - a. Our tax system should reflect our economy
  - b. The current system is based on yesterday's economy, which was primarily property and manufacturing driven
  - c. More than 50% of the state's economy is now services, which pay little or no business taxes
  - d. The state's business tax should be broad based, have a low rate, and treat all businesses equally

## Part Two: Achieving Excellence in Public Education

1. Academic Accountability (Students)
  - a. Continue the commitment to the student success initiative into middle school
  - b. Include LEP student performance in the accountability system
  - c. Require TEA to review the TEKS for curriculum alignment consistent with post-secondary success
2. Academic Accountability (Schools)
  - a. Link "exemplary" rating to student post-secondary readiness
  - b. Independently rate high schools on preparing students for post-secondary education
  - c. Strengthen the support mechanisms for struggling schools by providing the tools and resources necessary for improvement
  - d. For failing schools that do not show improvement, ensure that the students have an opportunity to receive a high quality education through reconstitution of the school or transfers to other public schools
3. Academic Accountability (Teachers)
  - a. Include bilingual and special education training in teacher certification
  - b. Strengthen educator preparation accountability by measuring program effectiveness
  - c. Create advanced management academies led by university Colleges of Business and Colleges of Education to train school administrators
4. Financial Accountability
  - a. Strengthen the financial accountability system
  - b. Prohibit a district from being rated "superior" or "above standard" unless the district's academic rating is comparable
  - c. Define "instructional" and "non-instructional" costs
  - d. Include charter schools in the financial accountability system
  - e. Require TEA to post district financial information on the agency's website to provide transparency for taxpayers
  - f. Have LBB report to the Legislature all federal, state and local funds spent on public education
5. Teachers
  - a. Increase teacher salaries to the national average
  - b. Teacher compensation will include the following components:
    - i. accountability and performance
    - ii. campus-based incentive programs
    - iii. incentives for hard-to-staff campuses and teacher shortage areas
    - iv. a percentage of local enrichment
    - v. protect the health insurance "pass-through" by reinstating it as salary
  - c. Substantially increase the funding for the Texas Beginning Educator Support System (TXBESS) mentoring program
6. Students
  - a. Improve graduation rates significantly

- b. Provide funding for a voluntary diagnostic test such as P-SAT and for the ACT/SAT
  - c. Substantially increase funding for full-day pre-kindergarten programs that follow state curriculum standards
  - d. Implement a "dual immersion" language pilot program
7. Schools
- a. Improve and increase funding for dual language education
  - b. Review the cost of education index (CEI)
  - c. Equalize 15¢ of local enrichment to the 90th percentile of wealth, 5¢ per biennium
  - d. Review the transportation allotment
  - e. Provide a state model for curriculum development to reduce costs associated with duplication
  - f. Develop programs and provide incentives for districts to reduce administrative costs and engage in cooperative arrangements by allocating savings to increased teacher salaries
8. Technology and Textbooks
- a. Include textbook funding in school finance formulas
  - b. Combine current textbook funding with the technology allotment to create a textbook/technology allotment
  - c. Allow local districts to spend textbook/technology funds as they choose, on books or computers
9. Facilities
- a. Explore opportunities to increase the bonding capacity of the PSF bond guarantee program
  - b. Roll forward Existing Debt Allotment for two years
  - c. Increase the New Instructional Facilities Allotment for fast growth districts
  - d. Remove non-instructional facilities from eligibility in the bond guarantee program
10. Charters
- a. Strengthen charter school financial and academic accountability
  - b. Expedite revocation of existing charter schools with low financial/academic performance
  - c. Automatically revoke new charter schools with low financial/academic performance for two consecutive years
  - d. Provide limited facility funding for high performing charter schools

Public Education Spending is Increased by More Than 10%

<u>FY 2006-2007 Increase Over FY 2004-2005</u>	
Educational Excellence	\$3.2 billion
Enrollment Growth	\$1.7 billion
TRS Teacher Pass-Through	\$0.3 billion
Textbooks	\$0.4 billion
Local Enrichment	<u>\$1.1 billion</u>
 TOTAL INCREASE	 \$6.7 billion

## Part Three: School Finance Reform

1. Reduce School Property Taxes by One-Third
  - a. Replace the current school maintenance and operations tax (\$1.50 maximum rate) with a \$1.00 maximum state property tax
  - b. No future property tax increases without a vote of the people
  - c. Total local school property tax reduction for homeowners and business: \$5.57 billion in FY '06
2. Provide New Local Funding Capacity
  - a. Provide at least \$6 billion in new local capacity through a 15¢ local enrichment tax approved by the voters
  - b. Phased-in 5¢ per biennium
  - c. Equalized to the 90th percentile of wealth
3. Revise the Franchise Tax
  - a. Applies to all business entities except for sole proprietors
  - b. Closes current loopholes
  - c. Retains \$150,000 no tax due threshold and receipts apportionment
  - d. Reduces the current rate by over one-half
4. Revenue Summary

	FY 2006	FY 2007
Franchise Tax Reform	\$3,500	\$3,700
Other Potential Revenue (sales tax, motor vehicle sales tax, tobacco and alcohol taxes, telecommunication infrastructure fund assessment, improved delinquent tax collections, close motor vehicle sales tax loopholes, and other tax and non-tax revenue)	\$3,700	\$3,800
<b>TOTAL REVENUE*</b>	<b>\$7,200*</b>	<b>\$7,500*</b>

*\* No net increase in taxes due to use of non-tax revenue*

5. Tax Neutrality
  - a. Property tax relief is funded by new state tax revenue: franchise tax reform, sales tax, motor vehicle sales tax, cigarette tax, tobacco taxes, alcohol taxes, etc.
  - b. Additional school spending is funded by "non-tax" revenue: closing loopholes, improved delinquent tax collections, TIF assessment, efficiencies, and current revenue growth

6. Business vs. Individual Share
  - a. Businesses currently pay 54% of property taxes and will continue to pay 54% of property taxes under this proposal
  - b. Businesses currently pay 50% of all state and local taxes and will still pay approximately 50% of all state and local taxes under this proposal
  
7. Tax Relief for Low-Income Texans
  - a. Lone Star Card holders receive a partial exemption from state sales tax
  - b. Renters benefit from a pass-through of property tax relief until markets lower rents accordingly
  
8. Constitutional Amendment Highlights
  - a. Authorize a \$1.00 state property tax for schools
  - b. Authorize a locally-approved enrichment tax with a maximum rate of 15¢