

COMAL ISD
Public School Finance Report
September 2008

Public school finance in Texas has been a hot topic for almost 25 years. And, it's not cooling off anytime soon. In fact, public school finance is still in a crisis.

Since 2006, the Legislature's House Bill 1 (HB1) has created property tax relief for Texans while jeopardizing funding for millions of schoolchildren. Businesses have been saddled with additional taxes and school districts are operating on the same state revenue per student as they were in 2006.

The simplest way to explain the crisis is to compare it to your personal budget. Imagine operating on a household budget in 2009 that reflected the same income you received in 2006. Add in inflation, rising gasoline prices, competitive salaries to retain teachers, and higher utilities.

Then include required payments the government might make you pay for services or programs you didn't know about in 2006. In the public education field we call them "unfunded mandates."

One such mandate is the "4x4" graduation program in high schools. Additional science classrooms have to be built and teachers hired. There has been no support from Austin to implement this state mandate.

For Comal ISD, HB1 has meant the district is receiving \$5,460 per student from the state. That amount is known as the "target revenue" and under HB1 it will never change.

And while Comal ISD receives \$5,460 per student, districts like Deer Park ISD in Houston receives \$6,171 and Barbers Hill ISD receives \$7,343 per student. Equitable? If every district in the state is held to the same standards, why does the Legislature allow this to happen?

In addition to the inequitable funding formula, Comal is building new schools to deal with its growing population. Construction is covered under bond issues. Operating the new schools — everything from salaries to utilities — comes out of the general budget supported by the \$5,460 per student.

The state funding system does not assist fast growing districts. Nor does it address transportation. Did you know the state has not increased the transportation allotment to school districts since 1984? The allotment per student for technology also has not increased for years.

Comal covers 589 square miles and its buses travel more than 2 million miles a year. The transportation budget in 1995 was \$2.28 million. This year's budget is more than \$6 million and there are 16,000 students. And the state's allotment has not increased.

There are only two ways school districts can “raise” additional revenue. One is by increasing enrollment. Each new student to the district brings \$5,460 with him/her from the state. So, fortunately, in this way, Comal ISD benefits because the district is fast growing.

The second way to raise revenue is to increase the tax rate. Under HB1, a school board can only increase the tax rate one time, by 4 cents per \$100 valuation; anything above that must be approved by voters.

Why are schools expected to make do with the same revenue level year after year while the state continues to gain revenue?

Comal ISD is fortunate in that many new businesses and homes are being built in the district. They generate additional school property tax revenue. But for every dollar that our district increases in property value, the state takes away a dollar in state aid.

Comal ISD sent about \$5 million in local tax revenue to the state in 2007-08 because of its Chapter 41/Robin Hood status. Because local property valuations and new construction increased this year, the district must send almost \$15 million in local revenue to the state.

Here’s another way to look at it. Comal is collecting about \$13 million more this year than last year in local property taxes. It’s also receiving almost \$3 million more in state aid because of increasing student enrollment. The district is having to send, however, \$15 million of local revenue to the state for distribution.

Despite the limited funding, Comal has been in the fortunate position of being able to provide generous pay raises to employees over the past three years because of strong financial planning. Under the current school finance system Comal has fared well but the good times are about to end.

We are hopeful that the Legislature will truly reform school finance in 2009. It must. School districts are declaring they will be bankrupt in a few short years. They are dipping into their fund balances (savings accounts) to give pay raises, cover increasing fuel and utility costs, and pay for unfunded mandates as taxpayers are defeating tax increases at the polls.

Growing districts like Comal are being asked to hold elections for construction projects to keep up with growth — bond elections — **and** “tax increase” elections when they need to go above the \$1.04 to make ends meet. We cannot blame taxpayers if they say enough is enough.

The Legislature must address school funding in the 2009 session. It has to get it right this time before time runs out for teachers and students across Texas.