



What you Need to Know about Funding Schools

At a time when the economy needs an infusion of well-prepared young people to enter careers or higher education, the public school funding formula fails to provide school districts adequate funding to meet the educational and social support needs of our future leaders. Although our valued legislators certainly did not intend for this to happen when they passed House Bill 1 in 2006, school districts are now faced with tough decisions on how to make ends meet while simultaneously enhancing the education experience of our children. Each school district in our area has a different story of impact. Following is fact-based information on how House Bill 1 is adversely affecting Clear Creek Independent School District, the 37,500 students it serves and the more than 4,700 teachers, nurses, librarians and administrators the district employs.

House Bill 1 reduced local school property taxes by 1/3 over a two year period and compensated districts for the loss in local tax revenue by expanding the Business Franchise Tax and adding several new taxes. As an aside, the new business franchise tax is now creating extreme hardships on small businesses in our area prompting them to petition for a recall. What did House Bill 1 (HB1) do to Clear Creek ISD and its taxpaying community?

1. There are two components of local school property taxes; maintenance and operations (M&O) and debt service. HB1 only dealt with local M&O tax efforts. It reduced the school district M&O property tax rate, which is what we use for payroll, supplies and materials, contracted services, and capital outlay, from \$1.50 to \$1.00 per \$100 valuation over the last two years.

On the debt service side, homeowners in Clear Creek ISD pay \$0.32 in school taxes per \$100 valuation. Tax revenue generated from the debt service tax rate can only be used for taxpayer authorized approved bond programs that provide funds for major capital expenditures. This includes building new schools, major building renovations, significant maintenance needs, purchasing land for school facilities, and purchasing buses.

2. **HB1 froze the level of funding we receive per student at 2006 levels;** meaning even though students' needs, inflation, and state mandates have increased, we receive the same amount per student as we did in 2006. Clear Creek ISD receives \$5,365 per student annually. Since our funding level is frozen at the 2006 level, inflationary costs associated with pay raises for teachers, fuel, energy, and other

highly volatile expenses such as property and casualty insurance are not included in the current state funding formulas. Below is a list of strictly additional costs associated with inflation:

Electricity:	\$2,000,000 above what was budgeted last year
Fuel:	\$1,240,000 above what was budgeted last year
Natural Gas:	\$50,000 above what was budgeted last year

- 3. Clear Creek ISD no longer receives the tax revenue generated from property value growth.** Additional tax revenue generated from property value growth in our area goes to the State and not to Clear Creek ISD. The school funding system prior to the 2006 Legislative session allowed school districts to hold onto that revenue from local property growth for one year before the State decreased its share. This one year holdover helped fast growth school districts such as Clear Creek ISD to pay for additional staff and operations of new schools.
- 4. HB1 capped the tax rate increase school districts can receive to 17 cents.** Four of those pennies can be used at the discretion of the School Board. Each of those pennies for CCISD is valued at roughly \$2.3 Million. The other 13 cents require what is known as a “roll-back election” where the school board approves a budget first and then asks voters for approval through an election. If the additional pennies are not approved by voters, school districts will need to cut their budget or reduce fund balance in order to keep the budget balanced. Eighty eight percent (88%) of CCISD’s budget is personnel related.

Through advanced planning and fiscal responsibility, Clear Creek ISD has managed to work within the current funding system but can not continue to remain competitive in teacher salaries or improve the education students receive. It is imperative the Legislature consider the following recommendations:

- 1. Increase the per-student funding school districts receive.**
- 2. Allow school districts to hold onto all or a portion of the revenue generated from local property value growth instead of sending it directly to the State.**
- 3. Give local control to elected school board members to establish the tax rate to meet the needs of their local community.**
- 4. Support an update of funding formulas for items such as the cost of school bus transportation which has not been adjusted since 1985.**