



The Texas School Finance Climate

History of TREs

Joe Smith – TexasISD.com

The Climate

- There is a financial storm brewing on several fronts:
- Batten down the hatches
 - Consider efficiencies
 - Then, many will need to consider increasing revenue with a TRE

What will this storm look like?

Tax Rates Currently

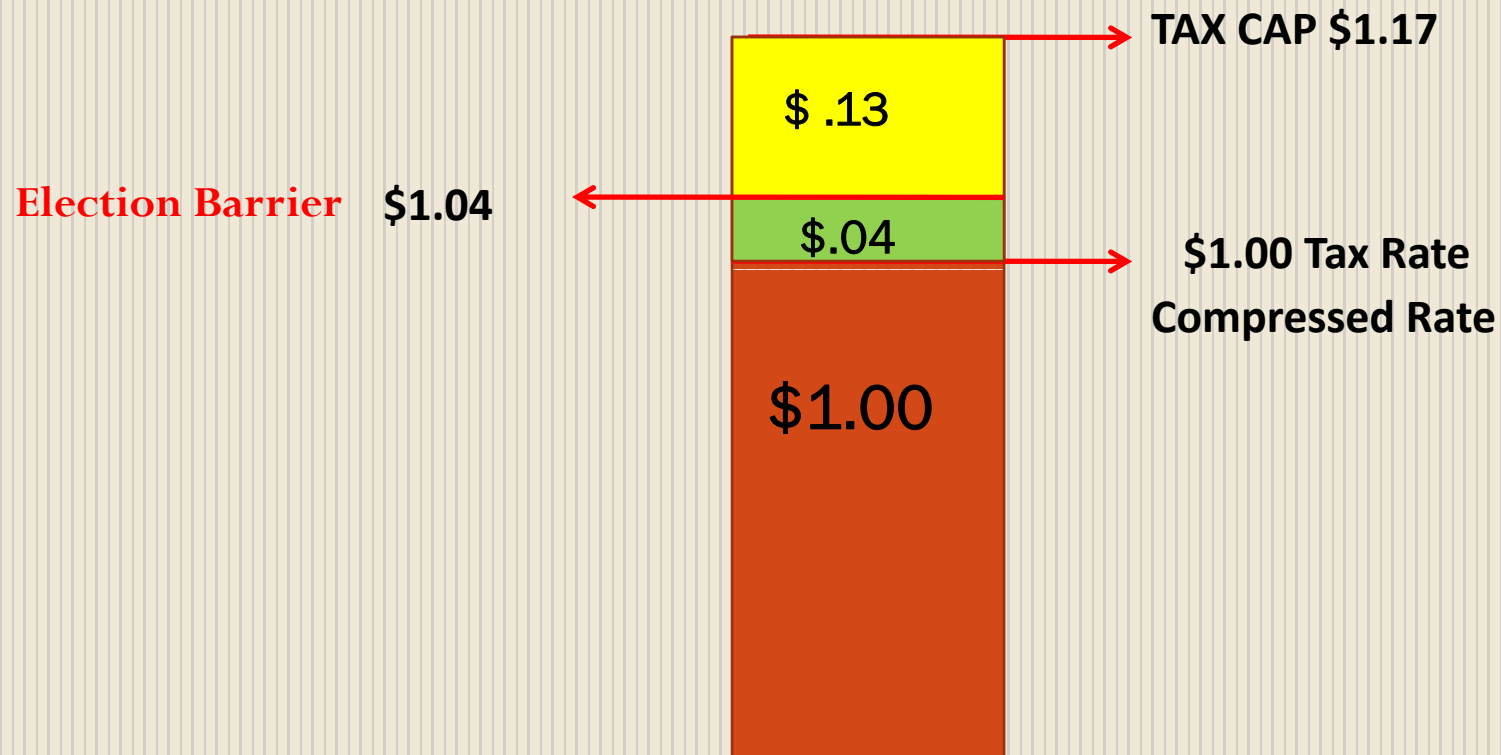
2008 M&O Tax Rates (1025 districts)

- 703 = \$1.04
- 887 => \$1.04
- 138 < \$1.04

I&S Tax Rates

- 797 w/I&S Rates
- 67 > \$.040
- Average I&S rate \$.202 (those with rates)

School District Tax Rates



***You cannot exceed the \$1.04 rate without an election**

TRE Elections (rollback)

- No petition required. A school district is required to hold an automatic rollback election if it adopts a rate above the calculated rollback rate.
- For 10/11 the rollback rate will be the “**lesser**” of \$1.04 or the Effective M&O rate plus \$.04.

Cy-Fair and Conroe ISD

“Together, the two districts have taken the extraordinary step of temporarily halting construction of 15 new schools. The districts have bond money to build them, students who will come, but no money to operate them”. *Houston Chronicle*

Lisa Dawn-Fisher – TEA - 11/25/09

I see school districts suffering a lot of financial distress... and if you project things into the future, it looks scary. Schools can't just shake the money out of the sofa cushions.” - *Houston Chronicle*

Shortfall?

First, state lawmakers have to find a way to replace stimulus money given districts before allocating any new money, but they are facing a possible \$12 billion shortfall in the overall budget. – *TexasISD sources*

Cy - Fair

Cut 450 positions through attrition last year.

—— *Other districts are making similar efficiency moves*

Why do some districts have TREs and some do not?

- **Inequitable state funding scheme** – Low Target Revenue per WADA – at 05/06 level
- Declining Students
- Financial Management
 - Staffing Ratio
 - Facilities from M&O
 - Poor tax rate management (Historical)
- 20% Homestead Exemption

TRE: ELECTION HISTORY

	Ratified	Not Ratified	TOTAL	PASS RATIO
2006	14	1	15	93%
2007	94	26	120	79%
2008	71	46	117	61%
2009	29	17	46	62%
			1	Pending
TOTAL	207	90	298	70%



TREND

These elections are unique and local – don't over analyze. Not as similar as you think.

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16 Districts - 2 elections

283
Districts

History of TREs

- 9 districts had initial ratification **failures** followed by subsequent approvals
- 2 districts have had two (2) successful elections
- 5 districts have had two (2) unsuccessful elections

History of TREs

- TREs by ESC
- See Handout

TRE – Trends to consider

- Early elections have greater success
- General Election day is not good day for TREs
- Chapter 41 – (2 cent elections) only one failure out of 8 – 88%
- Districts using consultants have higher success rate (Walch is 41 out of 46)

TRE – Trends to consider

- TREs where the Total Tax Rate is not increased have higher levels of success.
- TREs for less than the full 13 cents have a higher success rate
- Districts with Optional Homestead Exemptions have advantage in passage

Other factors:

- Utilizing disaster provisions to set tax rate for one year, then holding a TRE to maintain same rate the next year – Higher passage
- New vision – We will see...
- Attorney General – Request for Opinion that may impact your decisions

“Equalized Wealth Levels”

Pennies of M&O tax rate

Pennies	1 - 100	101 - 106	107 - 117
EWL	\$476,500 (46.75)	\$None	\$319,500 (31.95)

Pennies of I&S tax rate

Per/ADA	<u>I&S Pennies</u>
	\$None
	\$35 Per/ADA

Budget and Tax Rate Changes from the 81st Legislature

H.B. 3646, 81st Texas Legislature, Regular Session amended the Tax Code...

- Tax Code Section 26.01(e) requires the chief appraiser to prepare and certify by April 30, to the assessor for each county, municipality and school district an estimate of the taxable value in that unit. This replaces the current June 7 deadline.

H.B. 3646 amended the Education Code Section 44.004 and ...

- **Tax Code Section 26.05** to allow a school district to adopt its budget after it has adopted the tax rate if that tax rate is adopted before the district received the certified appraisal roll.

- **H.B. 3646 amended the Election Code Section 3.005 to allow a school district to order an election to ratify a tax rate not later than the 30th day before the election date. Previous law stated that school district had to order or call an election at least 62 days before the election date.**

- **H.B. 3646 amended the Education Code Section 45.001 to allow a district to retire debt early and to include that early payment in the calculation of the debt rate.**

- The changes described in H.B. 3646 apply only to ad valorem taxes imposed for a tax year beginning on or after the effective date of September 1, 2009.

H.B. 3676 repealed Tax Code Section 313.029.

- **This section prohibited a school district from adopting a tax rate that was above the rollback rate for two tax years after entering into a value limitation agreement. - Effective Sept. 1, 2009.**

Improving chances for success:

- Publicize your efficiency efforts, starting now.
- Superintendent and Business Manager must understand every aspect of the financial outcomes of the elections
- Use consultant for board training and campaign planning and getting administration and board on the same page related to the election.
- Plan well. Plan early. Plan with board first, faculty next, then public.
- Plan for an early election date
- Consider public perceptions when framing the election
- Don't leave any question unanswered
- I am giving you access to a list of experts

The Election Timeline

- This is the area where many stumbled
- Plan, Plan, Plan – Waiting until last minute is asking for trouble!

Communication

- Be able to communicate efficiencies already accomplished
- Communicate with the board, staff, then community - Long term “trickle down”
- Have detailed plan that minimizes mistakes

- Be able to verbalize budget reductions and other implemented efficiencies to all stakeholders prior to the need for an election to increase tax rate.

TRE

**The Tax Ratification Election is
the most formidable
administrative assignment I
have witnessed.**

For Public School Administrators

- **”It is reasonable to expect successful tax levy elections, provided you have a well executed campaign.”** - *pollster David Hill*

For Public School Administrators

- Paris ISD

738 For

214 Against

-Paul Trull,
Superintendent