



FORT DAVIS INDEPENDENT SCHOOL DISTRICT

P.O. Box 1339
Fort Davis, TX 79734

LOST AMONG CRISES: PUBLIC SCHOOL FINANCE

There is no doubt that the American, Texan, and local public are dealing with the realities of multiple crises today. Foreign conflicts, inflation, immigration, crime, government corruption, consumer product shortages, and shrinking bank accounts (to name a few) dominate conversations and demand attention every day; however, there is one crisis that is going unnoticed and which may have a far greater impact on local communities very soon, and for a much longer period of time.....public school finance. The Texas state government, only a few years ago, hailed House Bill 3 (HB3) as the solution, though not perfect, to school finance problems. The reality is very different from politicians' statements. This lost crisis probably only affects about 10-20 percent of the public school districts in Texas, but those few districts are facing financial ruin within the next 2-4 years. Some may make it longer, some may hit the financial cliff sooner, but all will ultimately deal with it at some point.

Texas public school finance is based upon two primary funding sources: 1) funding from the state, which is divided into two main parts of Available School Fund and Foundation School Program; 2) local property taxes levied by the local school districts. There is federal funding which benefits some districts more than others, but federal funds have decreased over the last decade to a fraction of what they once were. The exception to the federal funds impact was the action taken as a response to the COVID-19 pandemic, when the federal government issued three separate grants to school districts, via the state, to help mitigate financial strain. Those three grants were known as ESSER 1, ESSER 2, and ESSER 3. Texas decided to supplant state funds with ESSER 2 funds (basically kept the money at the state level) well after the grants were awarded. The impact to Fort Davis ISD was a **net loss** of \$174,000 due to the state's decision to keep that money in 2021. So, back to the two main sources of revenue for local districts, state funding is determined through a series of multiple calculations, ratios, weights, attendance, enrollment, property values, and more. In fact, the most common method of trying to predict what funding a district may receive is to use an Excel workbook with over 150 different worksheets, all linked to one another with complicated formulas. The legislature, I believe, makes these calculations complicated on purpose in an effort to confuse and frustrate the regular tax payer. The system can be oversimplified to one connection and objective: the higher the property values a district will have, the lower the state share of money to that district will be.

The Texas Constitution guarantees equal education to all students. Local revenues have been the subject of multiple public school finance lawsuits that began in the 1990's and continued until 2016, when the Texas Supreme Court determined the system was constitutional, though in need of modernization. This unanimous decision effectively closed all remaining doors to lawsuits challenging public school finance. This "system" of calculations includes property values to determine the maximum Maintenance and Operations (M&O) tax rate a district may adopt, and HB3 further requires that maximum rate to compress (drop) each year for 5 years, beginning in 2019. Those familiar with the previous school finance lawsuits will see the irony in the state effectively setting local district property tax rates for schools. The effects of HB3 delayed what many saw coming. School districts that were feeling the sense of financial dread got



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about a 2-year reprieve. Those two years are up, and the crisis is upon us once again, only this time there may not be any relief before it is too late. Fort Davis ISD is one of those districts (of the aforementioned approximately 10-20% in the state) now facing a serious shortfall of revenue. A one-time payment, or “Band-Aid” type of action by the legislature, will not work. Meaningful and long-term solutions to the school funding process must happen.

Here are a few facts to illustrate the scope of our problem.

1. FDISD is using buildings built in 1929 as the primary instruction facilities.
2. The newest construction at FDISD (ag barn) was built **completely with donations** in 2019.
3. The next newest facilities are the two gymnasiums, built around 2000.
4. The last instructional facilities were built in 1973 and consisted of 5 classrooms and a science lab.
5. FDISD had a band program many years ago, dropped it, restarted it, then dropped it again in 2014 due to lack of funds.
6. FDISD has no cafeteria, though we offer free breakfast items at the elementary in the mornings.
7. FDISD has no bus routes, though we reimburse some travel costs to families that live further than 2 miles from a campus and turn in a reimbursement request.
8. FDISD has no athletic track.
9. FDISD has no teacher housing.
10. FDISD has no tax revenue from energy, minerals, oil, gas, utilities, or railways. The only tax revenue comes from small businesses, ranchers, and other homeowners.
11. FDISD pays teachers according to the state’s minimum pay scale, with staff getting an extra \$1,000 per year when they reach 5 years with the district.
12. FDISD held a successful TRE (Tax Ratification Election) in 2014 to allow access to the maximum tax rate at that time (\$1.17/\$100 value).
13. FDISD has been classified as a property rich Chapter 49 district for the last 5 years, subject to recapture payments back to the state.
14. FDISD saw a reduced weighted average daily attendance in 2009 when the state redefined special education eligibilities for residentially placed students (in violation of federal law).
15. FDISD saw further reduced weighted average daily attendance and enrollment when the agreement with The High Frontier School was severed in January of 2013.
16. FDISD has seen further reduction in enrollment due to the COVID-19 pandemic and the decision by many families to continue to home-school their children.

The Uncomfortable Part

Fort Davis ISD has managed our taxpayers’ funds in the most responsible and deliberate manner possible. FDISD routinely achieves “Superior” on the state’s Financial Integrity Rating System of Texas (FIRST) every year, having scored 100 of 100 possible points for the 2021-2022 fiscal year. State funding for FDISD has steadily, and dramatically, decreased since the 2008-2009 fiscal year (see Figure 1). The forecast is for funding to continue to drop for at least the next two years. The result is that FDISD will see our fund balance (what many mislabel as our savings account) completely depleted in the summer of



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2024 (Figure 2). This precipitous drop is the result of the deliberate action by the state to increase local property values year after year, which then decreases the state's obligation to fund the education of our children.

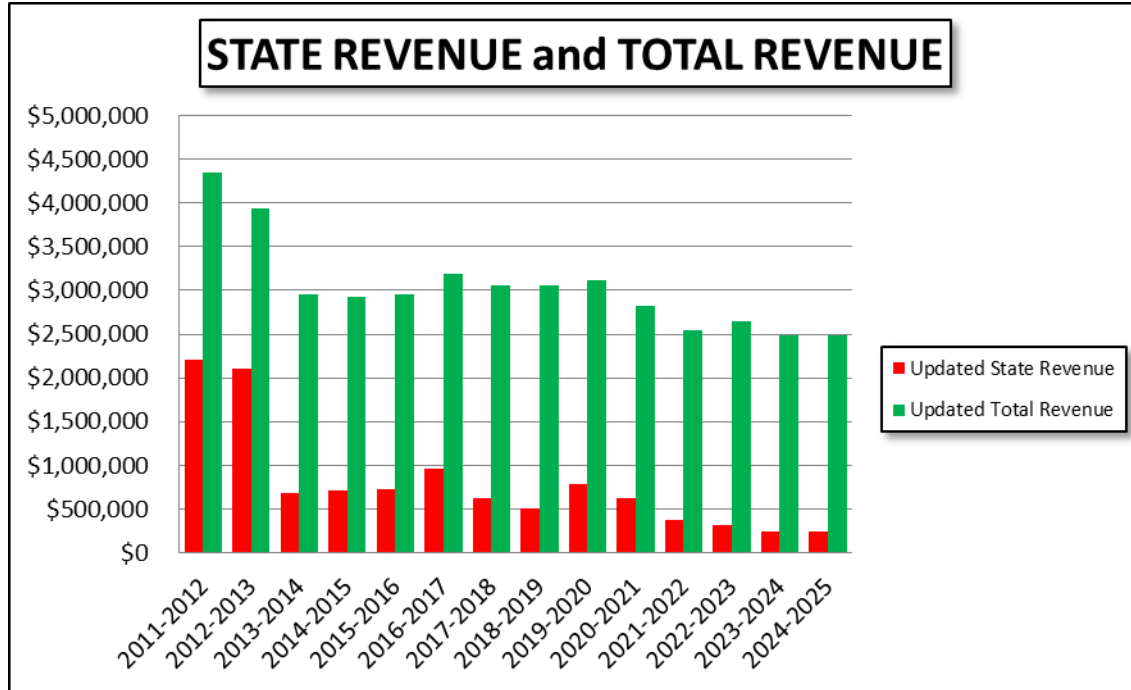


Figure 1

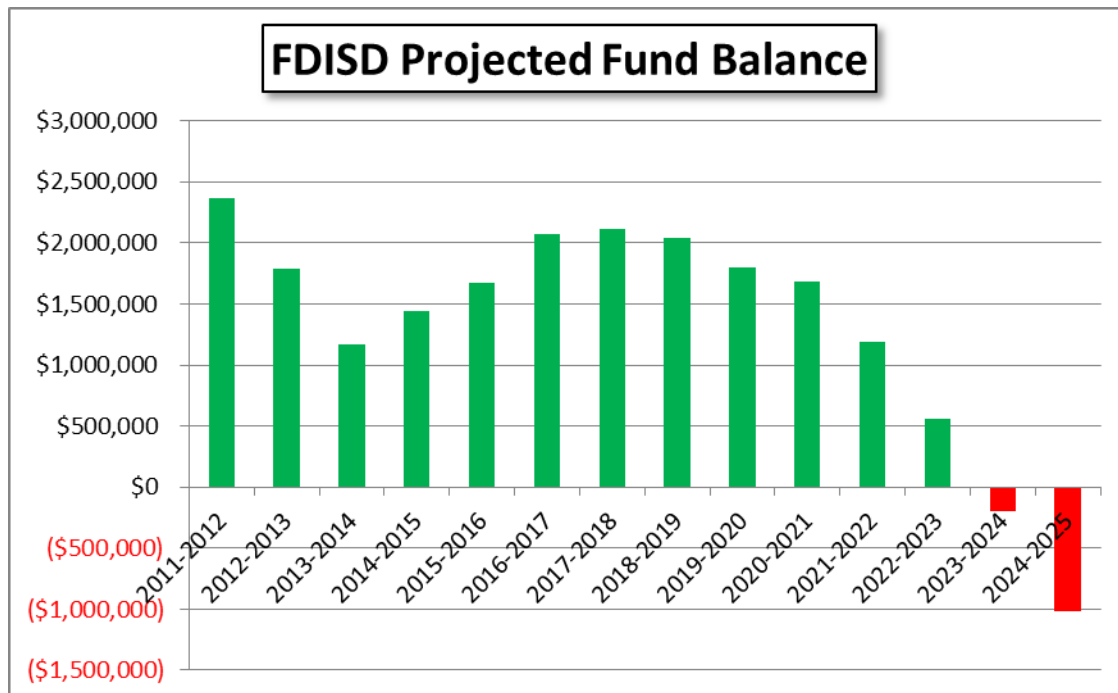


Figure 2



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As stated above, state funding can be simplified to be determined by the value of local property, as assigned by the state Comptrollers Office each year. These values are then put into a ratio with the weighted average daily attendance, further calculations and formulas are applied, and an allotment is assigned to the district for revenue and budget planning purposes. None of these values are actually finalized until several months AFTER each fiscal year has ended. Enrollments (which turn into average daily attendance) certainly have an effect on funding; however, the largest calculation of funding for the district, which can be called Tier1, has remained almost unchanged for years, while the overall state share has declined (Figure 3).

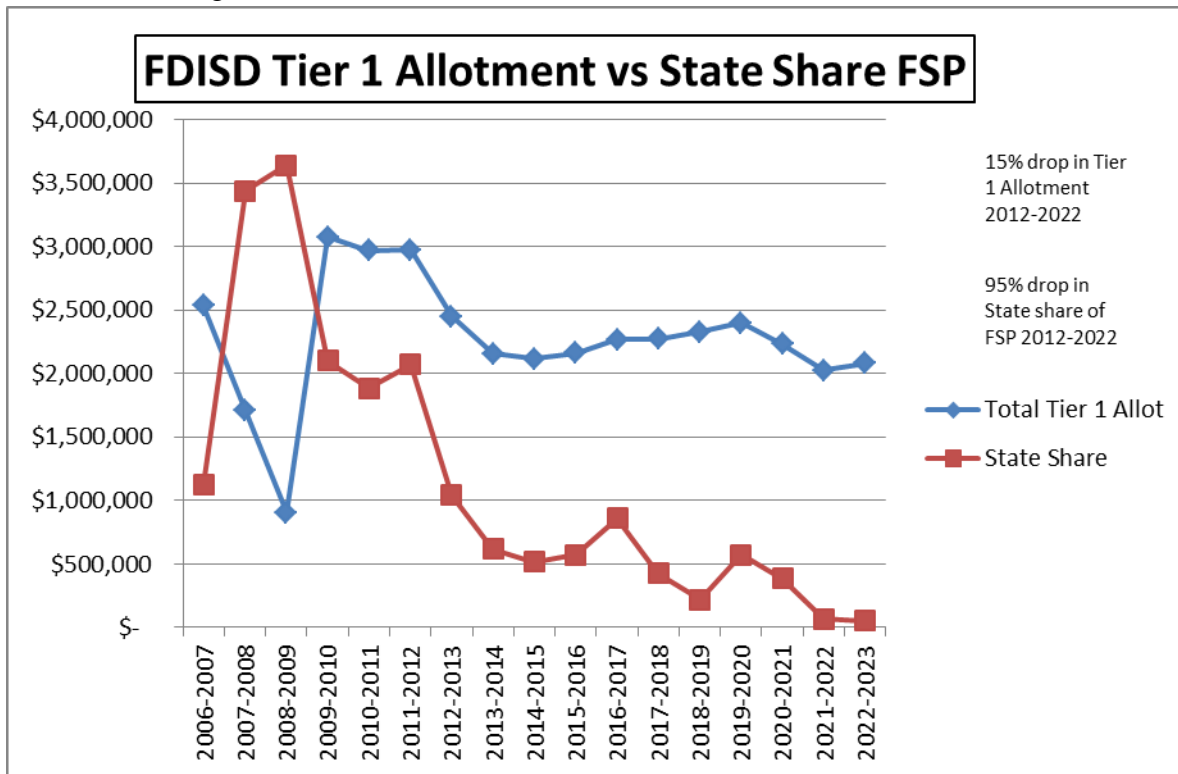


Figure 3

In fact, you can see the direct correlation between the Tier 1 allotment and Weighted Average Daily Attendance (WADA) in Figure 4. This chart clearly shows that funding decreases as enrollment (and, thereby WADA) decreases. The problem is that the state's "allotment" determination is NOT the same as the state's share of Foundation School Program funding. This allotment calculation is used to determine how much funding the state believes a district "really needs" to conduct school. The state then, basically, says everything over that allotment that is gained through local property tax collections should be sent back to the state. This would be "recapture."



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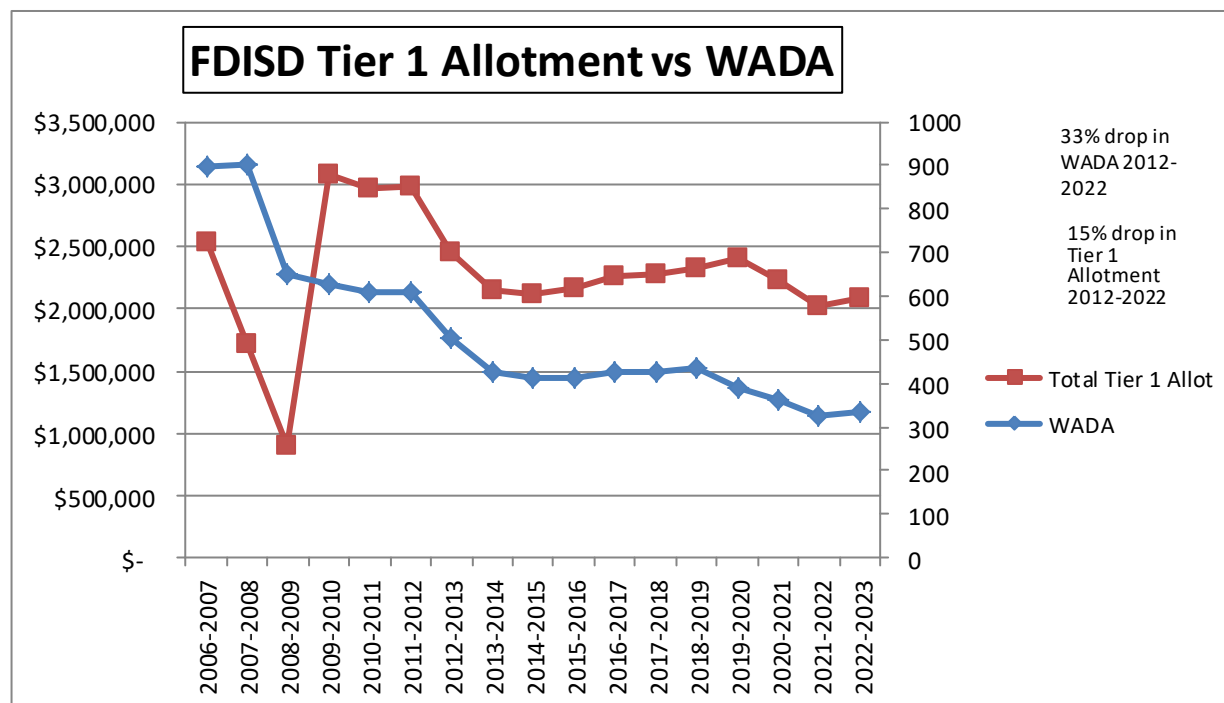


Figure 4

There is more to the school funding calculations than the Tier 1 allotment, but this calculation makes up the bulk of what the state believes a local district should keep. Other parts of the formulaic process involve categories like Tier 2, Copper Pennies, Golden Pennies, Guaranteed Yield, special populations enrollments, and previous year balances. The primary problem with the current school funding process, however, is simply the way that the state determines and uses local property values. Figure 5 clearly shows how this faulty system is penalizing districts like FDISD. Property values (PVS) have increased dramatically since 2016, while the state's share of funding to the district has literally hit the floor. FDISD received almost \$3,700,000 in 2008, but will only receive \$55,000 this coming year (2022-2023). That is a 95% drop in state funding for FDISD since 2012, which was \$1.7M less than that received in 2008. No other metric involved in the school funding calculations has dropped anywhere near that much. The closest magnitude of change in any variable is the rise of property values, which has seen local values rise by 45% since 2012 alone.



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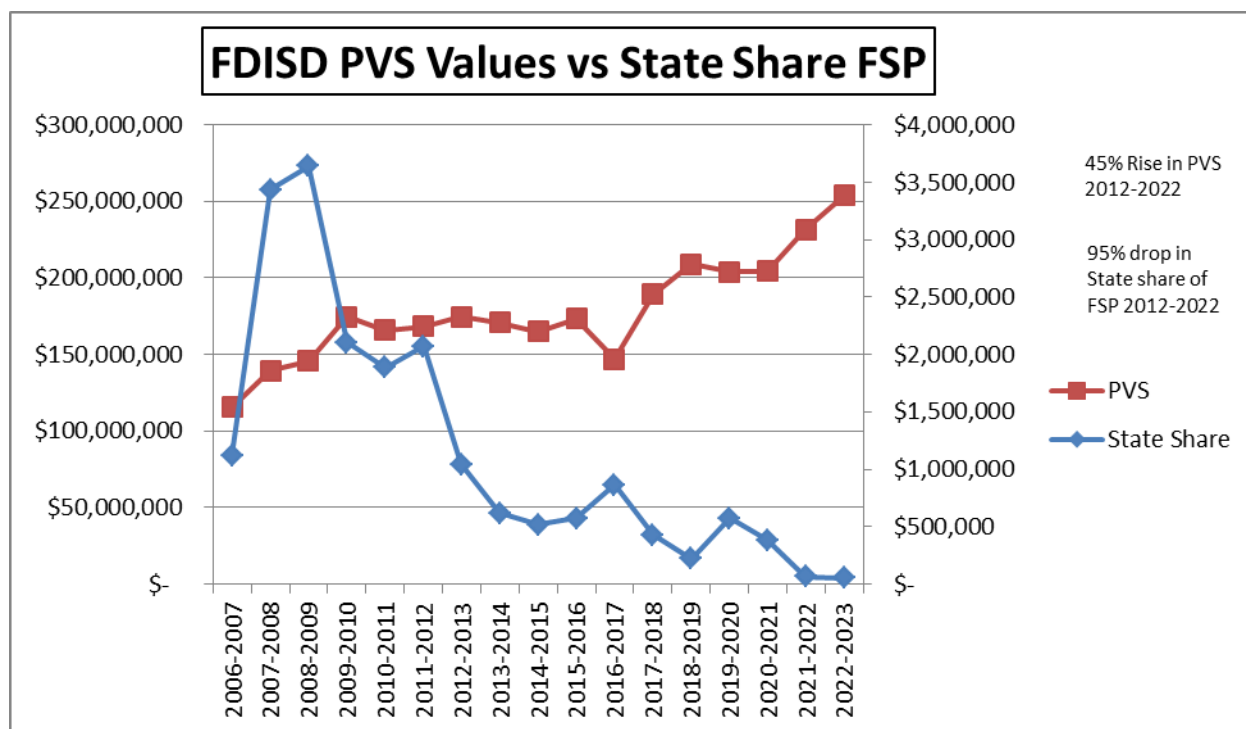


Figure 5

This financial crisis, one might say, is because FDISD is spending too much....FDISD spends extravagantly....FDISD spends on the wrong priorities....and other things. There may certainly be areas that could be tightened up, but the margins are so incredibly small that the overall potential savings to be realized is less than \$10,000, if that. FDISD has fixed costs that are simply unavoidable, with 78% of the costs incurred through payroll and 5% through utilities. There are other fixed costs related to insurance, internet, phone, and dues. This leaves very little left for discretionary spending, and cutting every single extra-curricular activity entirely would only save about \$150,000. All these things can be evaluated, but one must also remember that the district has very specific obligations from the state to meet accreditation and graduation requirements. Figure 6 has some data regarding what other districts, of similar size to FDISD, have budgeted for their expenditures over the last several years. You will see that FDISD is among the lowest, if not the lowest, on the chart (see the linear dashed line and first column in each year).



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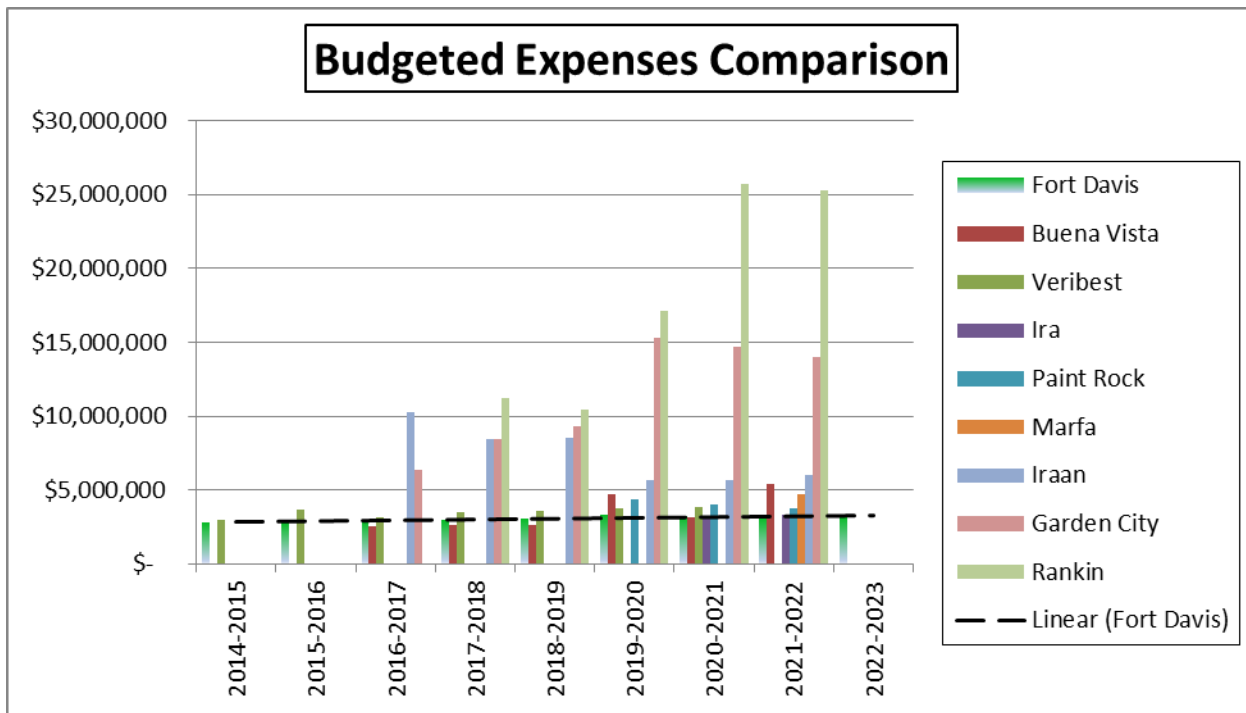


Figure 6

What Can Be Done?

The short answer to this question is not much, at least in the short term. Contacting our legislators is critical. Letting them know that this situation is unacceptable. Hold them accountable with your votes. They could, if they so choose, amend the public school funding methods with these few things:

1. Include bond revenues (I&S) in calculations to determine whether a district is “rich,” or “poor.”
2. Increase the Basic Allotment, but detach this allotment from the state’s minimum salary schedule.
3. Increase the “weights” for special populations.
4. Remove the ability of the state Comptroller’s office to override our local County Appraisal District calculations of property values, except in very limited circumstances.
5. Put automatic inflationary adjustments into the calculations, so that legislative action is not required to adjust the funding system.
6. Eliminate the current authority of the state to impose penalties and restrictions on districts that struggle with student performance on state assessments, due to very low enrollments.

It is imperative that taxpayers and citizens become school funding informed, be vocal with our state government, and insist on the same accountability in Austin as Austin asserts on us locally. Other crises are absolutely important, but don’t let our public school funding get lost while politicians come up with campaign slogans and advertisements.