



Texas Association of School Boards
P.O. Box 400 • Austin, Texas 78767-0400 • 512.467.0222

Serving Texas Schools Since 1949

**Testimony to the Senate Education Committee and the Senate Finance Subcommittee
on Property Appraisal and Revenue Caps
Presented by Sarah Winkler, President, Alief ISD Board of Trustees**

My name is Sarah Winkler. I am the President of the Alief ISD Board of Trustees and President Elect of the Texas Association of School Boards Board of Directors. I am testifying on behalf of both entities and appreciate the opportunity to speak with you today.

Some school districts begin their fiscal year on July 1 while most have a September 1 start to their budget cycle. In either case, the tax rate must be adopted before September 30 after the district receives the certified tax roll. If a rollback election is necessary, districts are required to have an election between 30 and 90 days after the date the school board adopted the tax rate. Districts that begin the fiscal year on July 1 must adopt a budget by June 30 while districts with a September 1 start date must complete the budget cycle by August 31. If certified property values are available, a separate hearing can be held the same evening to adopt a tax rate. If not, the Board sets the tax rate at a later date and, if necessary, calls for a rollback election.

Developing a budget is a lengthy process for most districts. District officials and trustees begin budget discussions in January and continue to refine projections and track expenditures throughout the year to ensure that every taxpayer dollar is used as effectively as possible and that the proposed budget is based on our best estimates of student enrollment, revenue projections and expenditures. If taxpayers ratify the adopted tax rate, the budget and school year move forward without interruption. However, if the rollback election fails, districts must either adjust their budgets or rely on the use of their fund balance.

In the past, the Board of Trustees could adopt a modest tax rate increase to support the budget without obtaining voter approval so we were certain that funds would be available to support the proposed budget. Today, once districts assess the four pennies that do not require voter approval, we no longer have this assurance. The uncertainty involved arguably leads to problems in budget planning, hiring staff, and the development of programs and services. These are some of the issues that cause problems with the current budget planning cycle, tax rate adoption, and rollback elections:

- 1) The goal of any school budget is to provide funding that will educate children in the most effective and efficient way. This is a challenge when we are receiving the same per pupil funding in 2008 that we received in 2005-2006. Costs are rapidly escalating in a significant number of areas: utilities, diesel fuel and gasoline, property and health insurance costs, and

salaries. The target revenue system also has eliminated the year lag in state funding that allowed districts to temporarily gain from any property value increases. Due to the nature of the current school funding system, the number of districts holding tax rollback elections will steadily increase. The budget adoption process has always been challenging, but the need to conduct tax ratification elections has added additional concerns and complications. An unsuccessful election would cause difficult budget questions with no easy answers. Districts that must hold a rollback election face this dilemma in one of two ways. Some districts develop their budgets assuming that the election may not succeed so salaries are frozen, programs may be put on hold or cut, and class sizes are increased. If the election is successful, salaries can increase the following year and programs can be restored. Other districts choose to give raises to employees, maintain student programs, and make cuts that do not affect the majority of their employees or student instruction. Fund balance would be utilized that year to support the adopted budget if the election fails. Districts taking the second approach know that the shortfall will have to be addressed in subsequent years by freezing salaries and reducing expenditures. Most districts have sufficient fund balances at this time to have a choice, but this option may not exist in the future. That would put districts in the unfortunate position of declaring a financial emergency and implementing a Reduction in Force, cutting programs and services needed to support our students, and freezing salaries for all employees.

2) Teacher and administrator contracts must be signed before we adopt the budget. In order to recruit and retain the most qualified staff, school boards must agree on beginning salaries and percentage pay increases for the following year in April or May so our Human Resources departments can recruit and retain qualified staff. Most districts, especially those in competitive markets cannot recruit staff if salaries and raises are contingent on a successful tax election. Since salaries and benefits account for approximately 88% of our budget, this leaves little room for making adjustments if taxpayers reject the proposed increase.

3) The relationship between state funding and local property values does not benefit school districts. If values rise, districts do not see the direct benefit since the state's contribution decreases. Unfortunately, the average taxpayer does not know that rising property values do not increase district revenue. This leads to an erosion of trust since taxpayers are paying higher taxes and cannot understand why their district is asking for more money. They may vote against the proposed tax increase as a result. This "see-saw" relationship has been a problem for some time, but the target revenue system makes this issue more significant since revenues are rooted in old numbers as mentioned above.

These issues affect every district holding a rollback election. Harris County districts have additional timing problems with budget adoption and rollback elections. School districts cannot adopt tax rates until they receive certified property values from county appraisal districts. Most districts receive certified values in June or July, but the Harris County

Appraisal District usually does not certify values until the end of August or early September due to the high number of taxpayer protests.

Districts that do not receive values until late August or September cannot hold rollback elections on the November general election date. Districts like Alief that have a September 1 fiscal year that hold rollback elections must operate for more than three months without knowing what the tax rate will be while districts with July 1 fiscal years have more than a five month lag. If our election is unsuccessful, a district is *three to five months* into its budget and then must make whatever adjustments are possible. As I mentioned earlier, very few adjustments are possible at that point unless a district declares that a financial emergency exists. In addition, our taxpayers may have difficulty paying their property taxes before December 31 if bills cannot be mailed until late in the year.

TASB offers recommendations with respect to the budgeting process and rollback elections:

- 1) Returning to the pre-House Bill 1 rollback requirements would give districts more flexibility in addressing budgeting challenges.
- 2) Alternatively, allow districts to assess the two additional discretionary pennies of the maintenance and operations property tax equalized to the guaranteed yield level of Austin ISD without voter approval.
- 3) Permit school districts to hold an authorization election rather than a rollback election to obtain voter approval for future assessment of the remaining maintenance and operations pennies authorized by law. This would allow districts to project how much funding would be available prior to preparing their budgets while still giving taxpayers an opportunity to vote for or against a tax increase. Holding one authorization election rather than a series of rollback elections allows for better long-term planning and would help districts be better prepared to cope with the escalating cost of fuel, utilities, and other expenses and provide competitive salaries to teachers and other staff members.
- 4) Allow school districts to raise the tax rate each year to cover inflationary cost increases without voter approval.
- 5) Allow districts to call rollback elections based on the certified property value estimates released by local appraisal districts in June. This would enable districts to set their tax rates in time to hold elections in October or on the uniform November election date. Trustees strive to use taxpayer dollars efficiently and to be fiscally responsible. It would be much more efficient to hold required rollback elections in close proximity to our budget adoptions so that districts do not get too far into the budget cycle if the tax rate is not approved by the voters.

Rising Costs of Insurance/Fuel/Energy

Fuel (gas/diesel)	2003-2004 Expense	2004-2005 Expense	2005-2006 Expense	2 Year Change	2006-2007 Expense	3 Year Change	2007-2008 Expense	4 Year Change
	\$ 751,750.00	\$ 1,008,018.00	\$ 1,363,793.00	81%	\$ 1,331,676.00	77%	\$ 1,774,000.00	136%

Gasoline Spot Prices in December

Dec 2004 Price/gal	Dec 2005 Price/gal	Dec 2006 Price/gal	Dec 2007 Price/gal
\$ 1.30	\$ 1.69	\$ 1.95	\$ 2.38

3 Year Change 83%

Utilities	Previous Rate	New Rate	Increase in Rate
	.0495/kwh	.082/kwh	66%

2003-2004 Utilities	2004-2005 Utilities	2005-2006 Utilities	2 Year Change	2006-2007 Utilities	3 Year Change	2007-2008 Utilities	4 Year Change
7,614,734	8,947,537	9,076,886	19%	10,429,419	37%	12,400,000	63%

Insurance	2003-2004 Prop Insur	2004-2005 Prop Insur	2005-2006 Prop Insur	2 Year Change	2006-2007 Prop Insur	3 Year Change	2007-2008 Prop Insur	4 Year Change
	556,899	498,540	2,189,178	293%	3,225,121	479%	2,761,962	396%

Fuel costs have risen 136% in 4 years
 Electricity has risen 63%
 Property Insurance has risen 396%

Number of Large Buses 207
 Number of Special Buses 75
 Miles Driven Each Year 2,944,000
 Average miles per gallon (gas) 3.5
 Average miles per gallon (diesel) 7