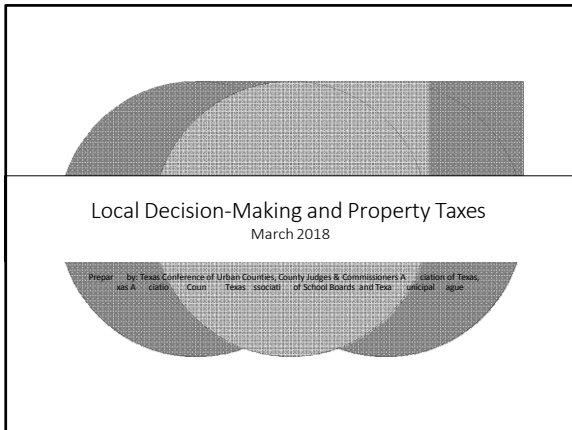


**89<sup>TH</sup> ANNUAL WEST TEXAS  
COUNTY JUDGES AND  
COMMISSIONERS ASSOCIATION  
CONFERENCE**

Friday, April 27, 2018  
9:30 – 10:20 a.m.

**“3.003 Lawmaking:  
Legislative Update”**

*Mr. Jim Allison  
General Counsel  
County Judges and Commissioners  
Association of Texas*




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Texas relies on property taxes and sales taxes to fund state and local government.

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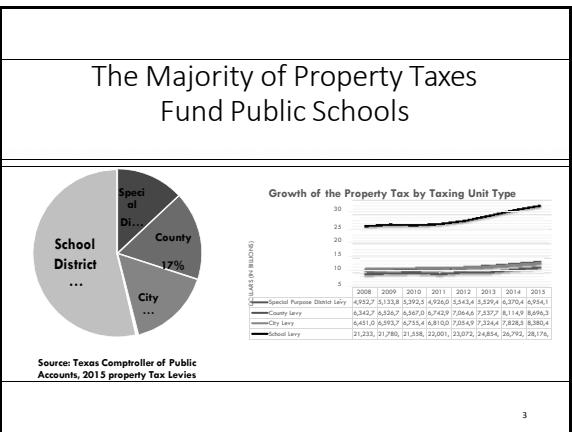
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The Texas Legislature's method of funding schools and its passage of unfunded mandates increases the property tax burden on local taxpayers.

Public schools are funded through:

- State General Revenue Fund
- Local Property Taxes
- Federal Funds

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Higher school taxes because of property value growth benefit the State's general revenue fund, not school districts.

- School districts are held to a certain amount of funding per pupil. When property tax revenue increases due to rising property values, the State does not increase per-pupil funding. Instead, the State lowers its percentage of total school funding.

**Student Funding**

FISCAL YEAR	Local Aid per Student	State Aid per Student	Federal Aid per Student
1989	45%	45%	10%
1990	43%	44%	14%
2001	46%	40%	16%
2011	44%	43%	11%
2012	46%	41%	11%
2013	48%	41%	10%
2014	49%	39%	10%
2015	50%	41%	10%
2016	49%	41%	10%
2017	52%	38%	10%

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**Foundation School Program: The State Share is Falling**  
History 1985-2016 (2017-2019 estimated by LBB)

State FSP Spending
Local FSP Spending

\*Data for FY17-FY19 are estimates.  
Source: Data from LBB, General Appropriations Act, Texas Education Agency

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Had the State increased its share to be a 50/50 partner in funding schools for 2016 – 2019, local school property taxes could have been reduced by more than \$17 billion – an average of 15% each year.

Since 2015, the Texas Legislature increased school funding from **local property taxes**

**\$14.35 Billion**

while **state funding** increased

**\$2.17 Billion**

Source: Legislative Budget Board

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If the State of Texas doesn't assume its share, the problem will only get worse.

<p><b>Student Enrollment (2015):</b></p> <p><b>4,852,600</b></p>	<p><b>Projected Student Enrollment (2019):</b></p> <p><b>5,166,298</b></p>
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Source: General Appropriations Act FY '18 – FY '19

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**General Appropriations Act FY18-19**

The legislature reduced the State's share of public education funding.

The budget that the legislature passed counts on over 14% increase in local property taxes over the FY '18-'19 tax years.

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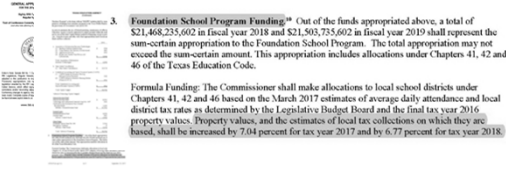
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**General Appropriations Act FY18-19**



**Foundation School Program Funding\*** Out of the funds appropriated above, a total of \$21,468,235,602 in fiscal year 2018 and \$21,503,755,602 in fiscal year 2019 shall represent the sum-certain appropriation to the Foundation School Program. The total appropriation may not exceed the sum-certain amount. This appropriation includes allocations under Chapters 41, 42 and 46 of the Texas Education Code.

**Formula Funding:** The Commissioner shall make allocations to local school districts under Chapters 41, 42 and 46 based on the March 2017 estimates of average daily attendance and local district tax rates as determined by the Legislative Budget Board and the final tax year 2016 property values. Property values, and the estimates of local tax collections on which they are based, shall be increased by 7.04 percent for tax year 2017 and by 6.77 percent for tax year 2018.

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**More State Investment in Public Education Will Lower Property Taxes**



- Surging property taxes are directly linked to the state's school finance system.
- The state's dependence on local property taxes is enormous and clear, while school districts costs continue to increase with 60% of students who are economically disadvantaged, and 20% that are English Language Learners.
- Two ways of reducing local property taxes:
  1. Increase state investment; and
  2. Pass legislation so that school districts are not penalized for lowering tax rates.

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**Unfunded Mandate**



**Local governments, and property taxpayers by extension, face billions of dollars of unfunded and underfunded mandates from both the federal and state governments.**

An unfunded mandate is a state law or regulation that requires a local government to perform certain actions, with no money provided for fulfilling the requirements.

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**Unfunded Mandate:**  
Reverse Intergovernmental Aid



- To shore up the lack of state funding for highways, cities and counties must pay hundreds of millions of dollars each year to TxDOT as "local participation" on state highway projects.
- To fund more than 50% of the state Comptroller's office, cities pay a hefty 2% fee for administration of local sales tax.

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**Unfunded Mandates**



- Each year, county and city court staff collect and transfer to the state hundreds of millions in state fees. Those fees are not used by the state to fund the state justice system.
- Further, the state demands all of its fees before counties and cities can keep any fines.

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**Unfunded Mandates**



County officials rely almost exclusively on property tax revenue to efficiently fund the state's criminal justice system, critical community health initiatives, and other statewide programs that are passed down to local counties by state officials.

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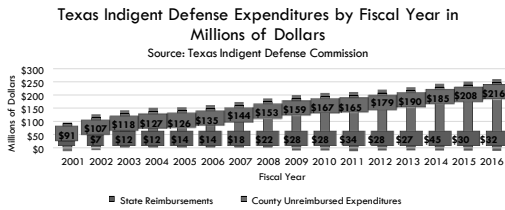
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## Unfunded Mandate – Indigent Defense



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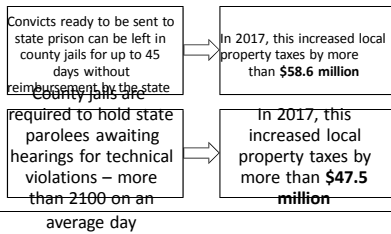
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## Unfunded Mandate: State Inmates in County Jails



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## Unfunded Mandates



- The Texas Legislature since 1984 has not updated the transportation allotment, a major contributing cost factor to a school district's local taxpayers.
- A recently approved law for teacher retirement requires both teachers and school districts to contribute a higher percentage into the Teacher Retirement System than the percent contributed by the state.
- Mandatory state assessments costs taxpayers millions as teachers' workloads are increased and additional staff are hired to administer exams.

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Preserve Local Decision-Making



- Preserving local decision-making equips Texans and their local government officials with the ability to address the unique challenges of their communities.
- Local governments have been the state's partner on the ground, doing the work locally to enact the will of the state, efficiently and effectively in the ways that best fit their local communities.

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One Size Does Not Fit All

The local government revenue controls supported by some state officials threaten to undermine community priorities. Politicians from one part of the state should not dictate priorities for communities in other parts of the state.

Arbitrarily imposing a revenue cap circumvents the democratically-elected local governments that are in the best position to determine the right policy decisions for each community.

Arbitrary revenue caps don't take into account local priorities and the unexpected services demands local governments can experience from things like significant population growth and, of course, disasters.

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Solutions

The State should be a 50/50 partner in funding the operation and maintenance of our schools.

The Texas Legislature should pass a constitutional amendment to stop unfunded mandates.

The State should reimburse counties for holding state inmates in county jails, and should fully fund indigent defense costs.

Leave local decisions to local communities and their elected officials.

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