



School Finance and HB3 Funding Loss

THE CHALLENGE

We are proud of Northwest ISD's reputation that attracts more than 1,100 new students each year. However, with the surge of new families comes a substantial responsibility to meet the needs of our rapidly increasing student body with diminished funding.

The state's complicated school funding formula can have a very different impact on fast growth and Chapter 49 (aka. recapture, Robin Hood) school districts. While the last legislative session and House Bill 3 benefited many, it had an unexpected, negative impact on Northwest ISD and other fast-growth districts. With the unexpected continuation of required recapture (in which NISD has to send local tax dollars to the state due to our higher "property wealth") and a decrease in state funding of \$10 to \$15 million per year, we simply need the legislature to reverse the cuts made during the last legislative session as a result of House Bill 3.

LEGISLATIVE SOLUTIONS

Reverse Decrease in Golden Penny Yield

The last legislative session decreased the yield for four of our tax pennies that are not subject to being returned to the state under the Chapter 49 required recapture rate. For NISD, this resulted in a \$4.5 million loss for the 2020-2021 school year. Reverse the rate, known as the "Golden Penny Yield," to its previous value (\$135.92 per penny per WADA) to allow more local tax dollars to stay in the district to help address our fast growth.

Return to Prior-Year Values

House Bill 3 changed school funding to be based on current-year tax values instead of prior-year values. Since property values typically rise - especially in a fast-growth district - this results in NISD receiving less state funding under HB3. It also means districts are put in a difficult position of using less certain current-year property value estimates to determine their budget. The state should return to using prior-year values to provide predictability, consistency, and support for fast-growth school districts.

ADDITIONAL BACKGROUND INFORMATION

Northwest ISD's Budget Challenge

- Northwest ISD is currently working to cut \$17.5 million from the budget due to a decrease of \$10-15 million from the state as a result of House Bill 3, as well as the rising costs associated with student growth.
- As the district works through this challenge, following are some examples of the budget reductions:
 - Required Staffing Reductions across NISD - \$5 million
 - Health Insurance Decision (move from self-funded insurance to TRS) - \$2 million
 - Program Reductions - \$2 million
 - 10% Reduction Campus/Department Budgets - \$1.5 million
 - CTE Reclassifications (Asst. Principals/Counselors) - \$1.5 million
- For additional information on NISD's budget reductions, [click here](#).

HB3 Cleanup Bill

- It would be ideal to have additional considerations for fast-growth, Chapter 49 recapture school districts, like Northwest ISD, included in the HB3 cleanup bill as either a committee substitute or future rider.
- A cleanup bill for HB3 (passed during the last session) will likely be supported by both the House and Senate.
- The committee substitute to [HB 1525](#) by Rep. Huberty offers some good considerations for fast-growth schools (Fast Growth Allotment Provision), but does not provide the relief Northwest ISD needs to reverse the \$10-15 million funding loss our district has experienced.
- The Senate's HB3 cleanup bill, [SB 1536](#), is scheduled for public education committee hearing on April 8.

Golden Penny Yield

- Support returning the Golden Penny Yield to the 2018-2019 yield (\$135.92 per penny, per Weighted Average Daily Attendance (WADA)) for each of the four pennies to allow fast-growth, Chapter 49 school districts to retain more of their local tax dollars.
- The change to the Golden Penny Yield, implemented under HB3, means that the penny is worth less. NISD and fellow Chapter 49 recapture school districts receive less money for each of those tax pennies as compared to pre-HB3.
- These pennies are considered "golden" because they are not subject to recapture, maximizing the money Chapter 49 school districts receive from these pennies because it does not cause us to pay more in our state-required recapture payment to the state.

Return to Prior-Year Values

- Pre-HB3, Northwest ISD benefited in additional funding each year since the school finance formula was based on prior-year values. The tax base typically increases from year to year - especially for fast-growth school districts, so the state funded more.
- The change to current-year values takes away this additional funding from the state, as the higher, current values are already considered.
- The legislature did not compensate for the negative impact and loss in funding that this change had on fast-growth school districts; therefore, some school districts – like Northwest ISD – have lost state funding under HB3 as compared to the previous funding formula.
- There is a Fast-Growth Allotment, but it does not make up for the loss of funding.
- Support returning to prior-year values or adjust the funding formula to ensure that fast-growth school districts are not losing state funding under HB3.