

Good morning, Madam Chair Shapiro and Chairman Eissler and members of the Select Committee on School Finance Weights, Allotments & Adjustments. I am Dr. John Folks, the Superintendent for Northside Independent School District in San Antonio.

I am here today to ask you to consider making substantive changes to the school finance system. We must reform the current target revenue system that assigns a per-student dollar amount that can vary by hundreds and even thousands of dollars from district to district. Texas public school students deserve an equitable system that fairly addresses the needs of school districts, whether those needs involve high percentages of economically disadvantaged students or astronomical growth in student enrollment. In other words, we need a fair and equitable finance system that acknowledges the diversity of districts across the state so that schools get funding for the children who need it the most.

At Northside ISD, we must grapple with both growth and diversity, but today, I'd like to focus my testimony on our growth challenges. Specifically, I'm asking you to support adjustment to the EDA & IFA formulas because it will help fast-growth school districts across the state meet the need for more classrooms without overburdening taxpayers. It is critical that school districts and the state re-establish their partnership to help pay for new schools and school expansions.

Given the growth in students, fast-growth districts face substantial challenges in meeting the need for new school facilities. Two state school facilities programs are available to all school districts to assist in the payment of debt service on voter-approved bonds: (1) the Instructional Facilities Allotment (IFA) and, (2) the Existing Debt Allotment (EDA) programs. Both provide state funds that may only be used to compress the I&S tax rate levied by eligible school districts.

Northside is one of the 114 larger school districts in Texas that is classified as fast-growing. As a public school district we are required to educate every student that walks through our doors. That means we must have the classroom space to serve all our students. As a school district experiencing sustained enrollment increases, we have no choice but to build new schools and expand existing schools.

With 91,578 students, Northside ISD is the state's fourth largest school district, and enrollment is projected to approach 100,000 in the next four years. In the past **eight** years, student enrollment has grown 39.4 percent, from 65,717 to 91,578.

Northside is 355 square miles, and only 50 percent of that is developed, so our growth is expected to continue for at least the next 30 years until the district reaches about 145,000 students. Right now, one out of every two homes built in Bexar County is in Northside ISD, and the district is a destination for both residents and businesses.

To keep up with our enrollment growth, we have built 30 new schools since 2002, including the four we opened this school year. In August 2010, we will open five more new schools.

Over the last decade, the **average** student enrollment increase has been 2,892 students a year. Our district demographer does not see this trend changing for the next five to 10 years, *despite the economic slowdown*.

Even with the slowdown of growth because of the economy, Northside ISD still expects enrollment to increase by 2,791 students this next school year.

From a real estate perspective, an average neighborhood in Northside of 100 new single family homes yields 56 students in grades K through 12. Single family housing sales in Northside peaked at almost 7,000 in 2006-07. Based on early data, housing sales for 2009-10 probably will come in at about 4,000. However, we expect housing sales to rebound to 5,000 and remain there for at least the next five to 10 years.

Given our large amount of undeveloped land, rebounding job growth, and quality of our schools, our growth is expected to continue for the next 30 years. The implication is clear: We are going to continue to need bond issues to build new classrooms. Of course, building new schools and paying off bond issues has a huge impact on the finances of our school district and taxpayers.

We are fortunate to have a healthy, growing commercial tax base in Northside. Located within the boundaries of Northside are huge economic generators such as the South Texas Medical Center, USAA, SeaWorld, and Fiesta Texas, and major corporations such as QVC Network, Citicorp, The American Funds, and Chase Manhattan. Microsoft recently constructed a \$335 million data center in the district.

NISD's taxable tax base increased by \$3.5 billion in 2006-07 (18 % increase), \$4.5 billion in 2007-2008 (20 % increase) and \$3.5 billion in 2008-2009 (13 %). That is a total increase of \$11 billion in the last three years. The district's current assessed taxable value is estimated to be \$31.9 billion. As you all are aware, this increase in the taxable value does not benefit our local General Operating Fund because of target revenues; but it does provide support toward the Debt Service Fund for the payment of bond principal and interest.

Northside's total debt requirement for this year is \$104,596,281. In 2007-2008 the district qualified for \$15 million in IFA & EDA funding; last year the amount was less than \$5 million, and in 2009-2010 the district is no longer receiving any IFA or EDA funding. The state funding received in the past represented a partnership on the part of local and state efforts to help reduce the I&S tax rate. Because we will no longer be receiving state funding, we will rely entirely on local taxpayers to repay the district debt. The adopted tax rate for 2009-2010 is \$1.04 for M&O and \$0.2975 for I&S for a total tax rate of \$1.3375.

Northside is very fortunate that in the last six bond elections, NISD voters have approved almost \$2.5 billion in bonds to build new schools and renovate and expand existing schools.

Our voters have responded positively because they understand our growth, and our I&S tax rate has remained relatively low. This is because of an aggressive debt management program we've had in place for many years. We watch market trends and sell bonds when interest rates are low and refinance bond debt at lower interest rates when possible. Other components that have made our debt management successful are increasing property values and state EDA funding. All these efforts combined have kept our I&S rate low considering the amount of construction we undertake.

However, we fear that support for our bonds soon may diminish given the increasing burden taxpayers are expected to shoulder. With the loss of EDA funding, we will have no option but to raise our I&S tax rate in order to generate enough revenue to pay off our bonds. With no state funding for the 2009-10 school year, we increased the I&S rate this year from \$0.2625 to \$0.2975. *We have attached two charts that reflect the percentage of debt service provided by EDA & IFA funding since 1999 and the Tax Rate Reduction impact on the I & S Tax Rate.*

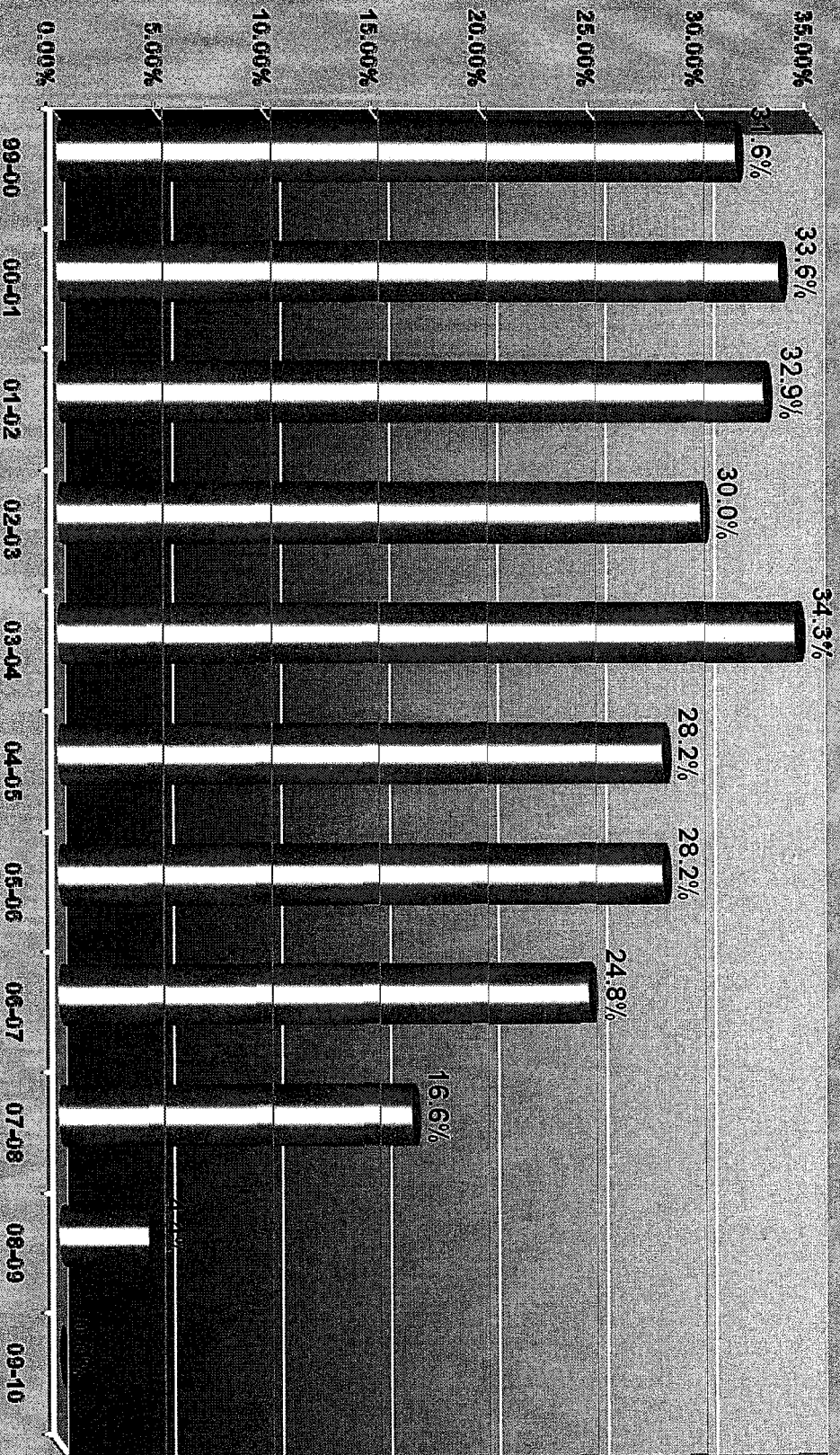
In addition, the \$35 yield for EDA and IFA has not been increased since the 1999-2000 school year, when 91% of Texas students were enrolled in districts eligible for state support. The percentage of students enrolled in districts eligible for EDA and IFA support has fallen to 57%. The \$35 yield needs to be increased to \$62.44, providing equalized funding equivalent to 91% of students in average daily attendance, which is where the program began and the approximate basic allotment level on a WADA basis under the adjustment mechanism established in HB 3646. This increase would be phased-in over several years to moderate state costs. This yield will then need to be adjusted based on future growth in state property values, similar to the indexing of the basic allotment, equalized wealth level, and Tier II under the current Foundation School Program.

Almost all school district enrollment growth in Texas is concentrated in 114 larger school districts that are classified as "fast-growing." For the five-year period ending in the 2007-08 school year, school districts that enrolled at least 2,500 students in 2007-08 with enrollment growth in excess of 10% accounted for an additional 387,941 students. Enrollment growth (exclusive of charter schools) for the state as a whole increased by 382,686 students over the same five-year period, indicating little or no enrollment growth for the majority of Texas public school districts.

Northside and other fast-growth districts need continued state support to balance reliance on local taxpayers to support our facilities needs. I urge you to consider adjustment to the EDA & IFA funding formula.

# NISD EDA Funding

% of debt service



# NISD EDA Funding

Tax rate reduction

