

10% of Texas school districts account for 80% of student enrollment growth. We call these fast-growing areas...

DESTINATION DISTRICTS

THE PERCEIVED PROBLEM

Texas has the 2nd highest **local debt** in the United States. Some believe that we are saddling future generations with insurmountable economic obstacles.

About 500,000 people move to Texas each year.
That's more than 1,300 people each day.

Texas enrolls an average of 80,000 new students in public schools each year.

Roughly 65,000 of those new students are spread among only 96 districts.

Destination Districts account for about 80% of new student enrollment.

Yet, according to TEA, 65% of these districts receive NO state facilities assistance.

THE *Real* PROBLEM

When a district enrolls thousands upon thousands of new students each year, they simply must build more schools. The state doesn't account for growth rate in their funding models, so local taxation is the only feasible way to fund new schools. With no flexibility above the 50-cent debt ceiling, however, many of the Destination Districts are cut off from their only means of capital fundraising.

WHAT SOLUTIONS DOES FGSC PROPOSE?

- ✓ Sensible exceptions to the 50-cent debt test
- ✓ Sensible CAB solutions
- ✓ Transparency solutions that don't demonize the very districts that draw people to Texas.
- ✓ A dedicated allotment for fast growth school districts
- ✓ Modify the Existing Debt Allotment and Instructional Facilities Allotment
- ✓ Restore New Instructional Facilities Allotment (NIFA)

TEXAS DESTINATION DISTRICTS

Aldine ISD	Frisco ISD	Northside ISD
Allen ISD	Gonzales ISD	Northwest ISD
Alvin ISD	Hallsville ISD	Pearland ISD
Andrews ISD	Hays CISD	Pflugerville ISD
Anna ISD	Houston ISD	Princeton ISD
Austin ISD	Hudson ISD	Prosper ISD
Barbers Hill ISD	Humble ISD	Richardson ISD
Belton ISD	Hutto ISD	Rockwall ISD
Boerne ISD	Katy ISD	Round Rock ISD
Bridge City ISD	Keller ISD	Royse City ISD
Burleson ISD	Killeen ISD	Scherz-Cibola-U City
Canyon ISD	Klein ISD	Seminole ISD
Castleberry ISD	La Feria ISD	Sharyland ISD
Chapel Hill ISD	La Joya ISD	Sheldon ISD
Clear Creek ISD	Lake Travis ISD	Socorro ISD
Clint ISD	Lake Worth ISD	South Texas ISD
College Station ISD	Lamar CISD	Southwest ISD
Comal ISD	Leander ISD	Spring ISD
Conroe ISD	Lewisville ISD	Stafford Muni
Coppell ISD	Liberty Hill ISD	Texarkana ISD
Crandall ISD	Little Elm ISD	Tomball ISD
Cypress-Fairbanks	Lockhart ISD	Tuloso-Midway
Del Valle ISD	Los Fresnos CISD	United ISD
Denton ISD	Lovejoy ISD	Waller ISD
Dickinson ISD	Lubbock-Cooper ISD	Waxachacie ISD
Dripping Springs ISD	Magnolia ISD	Westaco ISD
Dumas ISD	Manor ISD	White Settlement
Eagle Mountain-Saginaw	Mansfield ISD	Willis ISD
Ector County ISD	Medina Valley ISD	Wylie ISD
Edinburg CISD	Midland ISD	
Elgin ISD	Midlothian ISD	
Everman ISD	Midway ISD	
Forney ISD	Montgomery ISD	
Fort Bend ISD	New Braunfels ISD	
Fort Worth ISD	New Caney ISD	
Frenship ISD	North East ISD	

LEGISLATORS WHO REPRESENT DESTINATION DISTRICTS

HOUSE

Allen, Alma
Alvarado, Carol
Anderson, Doc
Aycocck, Jimmie Don
Bell, Cecil
Bohac, Dwayne
Bonnen, Dennis
Bonnen, Greg
Burnam, Lon
Button, Angie Chen
Callegari, Bill
Canales, Terry
Capriglione, Giovanni
Carter, Stefani
Coleman, Garnet
Collier, Nicole
Cortez, Phillip
Cradick, Tom
Creighton, Brandon
Crownover, Myra
Dale, Tony
Davis, John
Davis, Sarah
Dukes, Dawnna
Dutton, Harold
Eiland, Craig
Elkins, Gary
Fallon, Pat
Farias, Joe
Farney, Marsha
Farrar, Jessica
Fletcher, Allen
Flynn, Dan
Fullo, John
Geren, Charlie
Goldman, Craig
Gonzales, Larry
Gonzalez, Mary
Gooden, Lance
Guerra, Bobby
Gutierrez, Roland
Harless, Patricia
Hernandez Luna, Ana
Herrero, Abel
Hilderbran, Harvey
Howard, Donna
Huberty, Dan
Hughes, Bryan

SENATE

Isaac, Jason
Kacal, Kyle
King, Phil
King, Susan
King, Tracy
Kleinschmidt, Tim
Klick, Stephanie
Krause, Matt
Kuempel, John
Larson, Lyle
Laubenberg, Jodie
Lavender, George
Leach, Jeff
Lewis, Tryon
Longoria, Oscar
Lucio III, Eddie
Martinez, Armando
Martinez Fischer, T.
McClendon, Ruth J.
Menendez, Jose
Miles, Boris
Miller, Doug
Miller, Rick
Munoz Jr., Sergio
Murphy, Jim
Naishat, Elliot
Oliveira, Rene
Orr, Rob
Otto, John
Paddie, Chris
Parker, Tan
Patrick, Diane
Perry, Charles
Pickett, Joe
Pitts, Jim
Price, Four
Raney, John
Ratliff, Bennett
Raymond, Richard
Reynolds, Ron
Riddle, Debbie
Ritter, Allan
Rodriguez, Eddie
Rodriguez, Justin
Sanford, Scott
Schaefer, Matt
Sheffield, JD
Sheffield, Ralph
Smithee, John

SENATE

Stephenson, Phil
Straus, Joe
Taylor, Van
Thompson, Ed
Thompson, S.
Toth, Steve
Turner, Chris
Turner, Scott
Turner, Sylvester
Villalba, Jason
Villarreal, Mike
Vo, Hubert
Walle, Armando
Workman, Paul
Wu, Gene
Zedler, Bill
Zerwas, John



FASTGROWTH
SCHOOL COALITION
FastGrowthTexas.org



April 17, 2014

Greetings. I am Mike Ball, the Chief Financial Officer for Rockwall ISD. I'm here today to talk about local debt as it pertains to fast growth schools and to serve as a resource for your committee. The Fast Growth School Coalition sincerely appreciates the invitation to visit with you and we look forward to many more productive conversations.

There are currently 96 Texas school districts that are eligible to be members of the Fast Growth School Coalition. Basically, in order to be eligible, the district has to have a minimum of 2,500 students *and* 10% enrollment growth over five years *or* a flat 3500 student gain over the last five years.

The most important thing to know about fast growth districts is that they represent over 80% of student enrollment growth in Texas. Let me say that again. 10% of Texas school districts are taking on 80% of student enrollment growth in Texas. In the past 10 years, Frisco ISD has grown by 32,642 students; that's a 243% increase. Conroe ISD has grown by almost 16,000 students. La Joya ISD by 8,000 students. Alvin ISD by 7,500 students. Aldine ISD by 11,000 students. And Prosper ISD has grown by a startling 348% in the past 10 years.

In Texas, these are "Destination Districts" because they're the places people want to move when they come to Texas. They're moving here with an expectation for good jobs, good schools, and a thriving local community. The state of Texas has asked them to come. Our governor has made their move to Texas one of his top priorities. But the financial burden then falls on the local community to provide services, schools, and infrastructure, because the state of Texas has significantly decreased its support to local communities over the past eight years.

So what do the members of a community do when the demographer says hundreds or thousands of new kids are coming each year for the foreseeable future? They build buildings. These communities try to stay ahead of the growth so their children aren't stuck in a sea of portable buildings or in an overcrowded classroom.

Part of the reason I'm here today, is to tell you that a storm is brewing. In the past ten years, Texas has gained over 620,000 students. Ten years ago, school districts were better able to handle this growth because over 90% of them received facilities assistance from the state in the form of EDA, IFA or NIFA. Now 65% of fast growth districts receive no state facilities assistance. Today, 37 of our fast growth districts are approaching the 50 cent test on their I&S rates. When they get to that point, they can't issue any new voter-approved bonds. Ten years ago, none of our fast growth districts were at 40 cents or above.

If a district isn't receiving any facilities assistance from the state, is at the 50 cent limit, and is still receiving hundreds or thousands of new students per year, what should they do? What would you do if this was your school district? Portable

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buildings and class size waivers are a temporary BandAid and not a very good one. Traditional school districts aren't allowed to put up No Vacancy signs even though the kids are still coming. So what would you do?

Some districts have been forced to build new campuses out of their general fund balance to the point that their fund balances are now below what TEA determines as a safe level. Other districts have sought class size waivers and have installed portable buildings. One of our fast growth districts in the San Antonio area currently has students in over 100 portable buildings. Finally, some districts have chosen to use specialized financial tools including capital appreciation bonds, or CABs.

CABs are different from current interest bonds in that the principal and interest of a CAB are not paid until the end of the bond term with the interest accruing and compounding semi-annually throughout the life of the bond. CABs can be one of several effective tools when they're used moderately and with reasonable terms. Mr. Schiele will speak more about his district's use of CABs in a few minutes.

In November, the Texas Education Agency Permanent School Fund staff gave a presentation to the State Board of Education that stated that capital appreciation bonds present absolutely no risk to the Permanent School Fund because they represent such a small percentage of the overall school district-related bond program. You can find a copy of TEA's presentation on our website at www.FastGrowthTexas.org.

The Fast Growth School Coalition agrees that capital appreciate bonds should not be a district's first choice for financing facilities, however, as more districts approach the 50 cent debt test, they are left with very few options for accommodating student enrollment growth. A heavy utilization of capital appreciation bonds by any school district is a direct result of the 50 cent debt test and a decrease in state facilities support.

Some people want to demonize debt, especially when we're talking about local governments. I think you'll hear from some of those people today. But I ask you to stop and ask the hard question: why has debt increased in Texas? How much is local debt and how much is state debt? Why does the state push to bring more people to Texas, then do so little to support our local communities as we disproportionately shoulder the burden of growth.

You know that the answers are not so easy. We have to move beyond the sound bites and seek real solutions. And that takes a conversation instead of a battle. Our association welcomes a continued conversation on these issues. I'd now like to hand the discussion over to Mr. James Schiele of Eagle Mountain-Saginaw ISD to give a specific example of the challenges our fast growth districts face.

Fast Growth School Coalition
Data by Senator April 17, 2014

District	Senator	Enrollment 2003-04	Enrollment 2013-14	Change 10 Yrs	% Change 10 Yrs	2003 I&S Tax Rate	2013 I&S Tax Rate	EDA/IFA 2003	EDA/IFA 2013
Edinburg ISD	Hinojosa	25,373	34,104	8,731	34.41%	\$0.0993	\$0.06980	\$2,882,000	\$8,406,756
La Joya ISD	Hinojosa	21,765	29,711	7,946	36.51%	\$0.0699	\$0.14100	\$4,244,913	\$17,891,614
Sharyland ISD	Hinojosa	6,751	10,273	3,522	52.17%	\$0.1095	\$0.11550	\$1,465,602	\$1,665,431
Tuloso-Midway ISD	Hinojosa	3,367	3,828	461	13.69%	\$0.2538	\$0.27710	\$193,305	\$0
Bridge City ISD	Nichols	2,589	2,797	208	8.03%	\$0.1632	\$0.15000	\$151,409	\$77,145
Conroe ISD	Nichols	39,246	55,009	15,763	40.16%	\$0.2325	\$0.24500	\$6,705,333	\$0
Montgomery ISD	Nichols	4,640	7,542	2,902	62.54%	\$0.2320	\$0.30000	\$0	\$0
Willis ISD	Nichols	4,741	6,785	2,044	43.11%	\$0.2900	\$0.35000	\$1,322,068	\$112,344
Aldine ISD	Garcia	56,292	67,381	11,089	19.70%	\$0.0980	\$0.17250	\$6,281,550	\$13,417,432
Clear Creek ISD	Garcia	32,810	39,998	7,188	21.91%	\$0.2300	\$0.36000	\$2,364,626	\$0
Humble ISD	Garcia	27,009	38,235	11,226	41.56%	\$0.2400	\$0.35000	\$8,405,698	\$7,014,326
Sheldon ISD	Garcia	4,539	7,760	3,221	70.96%	\$0.2235	\$0.26000	\$0	\$0
Spring ISD	Garcia	26,768	36,484	9,716	36.30%	\$0.2900	\$0.53000	\$9,512,732	\$12,862,322
(Houston ISD)	Garcia	211,499	211,552	53	0.03%	\$0.1300	\$0.16000	\$0	\$0
Allen ISD	Paxton	13,864	20,381	6,517	47.01%	\$0.3723	\$0.50000	\$2,958,817	\$0
Frisco ISD	Paxton	13,411	46,053	32,642	243.40%	\$0.2400	\$0.42000	\$163,656	\$0
Lovejoy ISD	Paxton	993	3,739	2,746	276.54%	\$0.2030	\$0.47500	\$0	\$0
Prosper ISD	Paxton	1,431	6,413	4,982	348.15%	\$0.3199	\$0.50000	\$218,299	\$0
Richardson ISD	Paxton	34,536	38,283	3,747	10.85%	\$0.3200	\$0.30000	\$0	\$0
Wylie ISD (Collin)	Paxton	6,661	13,726	7,065	106.07%	\$0.2500	\$0.47000	\$2,087,151	\$4,203,491
Alvin ISD	Taylor	12,131	19,809	7,678	63.29%	\$0.1999	\$0.28910	\$2,801,416	\$7,500,292
Dickinson ISD	Taylor	6,539	10,000	3,461	52.93%	\$0.2430	\$0.50000	\$1,442,958	\$2,173,155
Pearland ISD	Taylor	13,096	20,034	6,938	52.98%	\$0.3092	\$0.37570	\$4,115,979	\$3,191,439
Eagle Mnt-Saginaw ISD	Nelson	8,517	18,197	9,680	113.66%	\$0.3100	\$0.37000	\$315,741	\$0
Rockwall ISD	Deuell	10,096	14,626	4,530	44.87%	\$0.3800	\$0.42000	\$406,944	\$0

- - Dallas Region
- - Fort Worth Region
- - San Antonio Region
- - Central Texas Region
- - West Texas Region
- - South Texas Region
- - Houston Region

