



September 30, 2020

Texas House Public Education Committee
Interim Charge 1[A]

Chairman Huberty and Members of the Committee:

Thank you for the opportunity to provide information to the committee regarding Interim Charge 1[A]. The charge reads:

Monitor...HB 3, which relates to public school finance and public education. Monitor the Texas Education Agency's (TEA) implementation of the bill, including the extensive rulemaking process and broad unintended consequence authority of the commissioner. Examine the pay raises districts have provided to staff and the various approaches adopted to differentiate these salary increases according to experience.

The opportunity for districts to meaningfully differentiate teacher salary increases through the Teacher Incentive Allotment (TIA) is one of the signature measures of HB 3, passed in the 2019 session. This allotment sets out both to reward and retain top teaching talent and to provide students equitable access to that talent by targeting state support toward exemplary teacher performance in the service of economically disadvantaged and rural students.

A distinguishing factor of the TIA is the consideration of factors beyond simple years of experience. Research has consistently shown that years of [teaching experience](#), beyond the first few, and [advanced degrees](#) held by teachers bear no correlation with the actual value that teachers bring to a classroom. According to [Dr. Lori Taylor](#), head of the Department of Public Service and Administration at Texas A&M's Bush School, there have been over 100 studies examining whether a master's degree makes a difference in academic performance; "only nine ... say anything positive at all."

It is possible that widespread use of a system of teacher compensation that only considers experience or credentials is even hurting the quality of the profession. According to McKinsey and Company, only 23% of new American [teachers were in the top third of their college classes](#), compared to 100% in high-performing nations such as Finland, South Korea, and Singapore. Among students in the top third of their classes not going into education careers, the top two statements about teaching they disagreed with were "If I were to do well in this job, it would be rewarded financially," and "This job pays appropriately for the skills and effort I would bring."

In the TIA, the Legislature has created a framework for districts to develop improved systems of teacher evaluation and incentive pay. Building on the valuable work of [Dallas ISD](#) and many other pioneering districts, these improved systems would benefit Texas teachers, students, and taxpayers by encouraging top talent, targeting funds toward measures most likely to [improve results for students](#), and ensuring that taxpayer funds are spent as [effectively as possible](#).

The Foundation recommends that the Legislature prioritize the continuation and development of district programs that align with the TIA and support instructional excellence, especially in high-needs schools.

Question 4 of this charge specifically brings up the role of local property tax increases in relation to teacher salaries. The question asks:

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What impact does the "no new revenue - tax cap" of 2.5 percent have on a school district's ability to continue the pay raises or changes in salary scheduled adopted for the 2019-20 school year?

First, it is important to remember that the Legislature enacted the 2.5% revenue limitation as a way to assert control over soaring tax bills. Reducing local property tax rates and public education's reliance on them was a central goal of the [School Finance Commission's](#) 2018 final recommendations, along with maintaining a long-term balance between state and local education funding. Such a revenue limitation was necessary because of past trends. Consider that from 1998 to 2017, the average annual increase in school district property tax levies grew by 5.35% according to the [Texas Comptroller of Public Accounts](#). That elevated growth rate is behind many of the problems that homeowners and businesses struggle with today and was also shifting the balance of education funding toward local funding.

This 2.5% limitation exists to ensure that the 86th Legislature's promise to reduce property taxes will retain meaning. [Previous attempts](#) at property tax reductions have taught the Legislature that without subsequent revenue limitations those reductions will rapidly dissipate due to rising property values and a determined tax rate per taxing entity, resulting in broken promises and disillusioned constituents. This limitation slows tax revenue increases to a more reasonable level, giving the average Texas taxpayer, already strained by the economic upheaval of COVID-19, more peace of mind.

It is also worth noting that the 2.5% limitation only applies to a select portion of school district finances. Districts have access to other unaffected revenue streams too, such as enrichment funding, federal funds, and I&S monies raised through bond issuances. Should student enrollment also increase, the district's entitlement increases as well, bringing in additional funds from the state. For tax year 2020, district boards also have the prerogative to increase their enrichment rates by an additional golden penny through a unanimous board vote.

Districts also have the ability to hold a tax ratification election (TRE, or voter approval election), should they wish to increase their tax rate further. This provision allows districts to appeal to local taxpayers for more funding. It also ensures that local taxpayers have an opportunity to hear the district's case for increased tax revenue and be involved in a decision that will affect their own financial situation. This is a common-sense local accountability measure that ensures taxpayers have the chance to consent to rising property taxes. TEA has [pointed out](#) that even districts that used to be at their maximum tax rates before HB 3 now have room to increase their enrichment tax rates through a local election.

Thanks to HB 3, those TREs will now be accompanied by efficiency audits. These audits require districts to examine spending practices before requesting a higher tax rate and report on those practices to taxpayers before the election. It is possible that a district may find savings that preclude the need for a TRE; if not, the audit should furnish the district with data to make a case to voters for its request.

As it applies to school districts, there is no reason to believe that the 2.5% limitation will prevent districts from being able to provide for their respective workforces. A district's entitlement is determined separately from that limitation, and districts have avenues to bring in additional revenue should their taxpayers agree the districts' proposals are worthy projects. In some cases, providing for district workforces may require districts to adjust attitudes, reprioritize budgets, and rethink old spending habits; but ultimately, officials have the resources and tools needed to get the job done.

Moving forward, the Legislature should consider building on the success of its new 2.5% limitation by further reducing the rate of growth, better controlling I&S tax rate increases, and eliminating the school



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[M&O property tax](#) using surplus state revenue in future years. This would eventually cut the overall property tax burden [in half and eliminate Robin Hood](#).

In conclusion, the obvious bears restating: More money does not guarantee better results. Both the [Texas Education Agency](#) and the [Texas Supreme Court](#) recognize there is no significant relationship between spending and education outcomes, strongly indicating more taxpayer dollars do not guarantee better schools or more educated students. [How funding is spent](#) is more important than [how much is spent](#). Some of our high-poverty and low-spending Texas [districts or schools](#) are achieving some of the best results in the nation by targeting resources and implementing high-yield practices.

The Foundation recommends preserving the property tax relief provided to Texas voters last session by retaining limitations on local property tax increases.

Thank you for the opportunity to provide this information, and I look forward to future discussions.

Emily Sass
Policy Director, Next Generation Texas
Texas Public Policy Foundation