

CAUSE NO. D-1-GN-11-003130

TEXAS TAXPAYER & STUDENT § IN THE DISTRICT COURT OF
FAIRNESS COALITION, et al., §
§
Plaintiffs, §
§
VS. § TRAVIS COUNTY, TEXAS
§
MICHAEL WILLIAMS, Commissioner of §
Education, et al., §
§
Defendants. § 200TH JUDICIAL DISTRICT

**CALHOUN COUNTY ISD PLAINTIFFS’ MOTION TO STRIKE
CERTAIN TRIAL TESTIMONY OF DR. WAYNE PIERCE**

Pursuant to TRCP 193.6, the Calhoun County ISD Plaintiffs (“Calhoun County Plaintiffs”) move to strike certain trial testimony given by Dr. Wayne Pierce and would respectfully show the Court as follows:

SUMMARY

Dr. Pierce has offered testimony at trial on three issues in which he referred to opinions and analyses that were not disclosed in any expert report, supplemental report, deposition testimony or other disclosure, as required by this Court’s Amended Scheduling Order and the Texas Rules of Civil Procedure.

First, Dr. Pierce opined that recapture of I&S revenue is one of the “simplest” means to address alleged inequity in the school finance system after both Dr. Pierce and Mr. Gray represented that no testimony advocating or proposing I&S recapture would be offered at trial. *Compare* Ex. D at 15:20-25 with Ex. B at 102:16-103:6, 104:16-105:1.

Second, Dr. Pierce testified about an undisclosed post-deposition study he performed to evaluate the use of I&S proceeds for some M&O expenses by a limited number of districts in Texas, without disclosing such analysis prior to trial and after testifying in deposition that he had

not performed any such survey. *Compare* Ex. C at 24:20-25:8, 26:24-30:8 with Ex. A at 20:7-9, 201:1-22.

Third, Dr. Pierce testified that he has calculated the effect of districts' use of I&S revenue for M&O purposes on the revenue gaps among districts in Texas after denying the existence of any such calculation at his deposition. *Compare* Ex. C at 31:1-5, 31:16-32:16 with Ex. A at 202:4-16, 203:10-14.

Because Dr. Pierce failed to timely disclose the above-referenced opinions and analyses in any expert report or supplement, and affirmatively denied their existence in his deposition testimony, his attempt to testify about such matters at trial is prejudicial to the Calhoun County Plaintiffs. Dr. Pierce's undisclosed opinions and analysis should therefore be stricken and excluded from the record of this matter under Rule 193.6 of the Texas Rules of Civil Procedure.

ARGUMENT AND AUTHORITIES

Rule 193.6 states that “[a] party who fails to make, amend, or supplement a discovery response in a timely manner may not introduce in evidence the material or information that was not timely disclosed . . . unless the court finds that (1) there was good cause for the failure to timely make, amend or supplement the discovery response; or (2) the failure to timely make, amend or supplement the discovery response will not unfairly surprise or unfairly prejudice the other parties.”

Under this Court's November 7, 2013 Amended Scheduling Order, the TTSFC Plaintiffs were required to “serve all other parties the expert report[] of Dr. Wayne Pierce . . . , which shall include: (A) a complete statement of the opinions the expert(s) will offer and the bases for same,” among other things, by no later than October 21, 2013.

The TTSFC Plaintiffs served Dr. Pierce's expert report on October 21, 2013, but that report nowhere disclosed:

- Any evaluation by Dr. Pierce of potential changes in the funding system, including implementing the recapture of I&S revenues, and including how simple or complex this might be;
- Any study to identify the incidence of use of I&S bond proceeds to fund certain M&O expenses, whether by the Calhoun County Plaintiffs or districts in the State at large; or
- Any analysis of the effect of districts' use of I&S proceeds for some M&O expenses on alleged gaps in revenue among districts in Texas.

See generally Ex. E, Supplemental Expert Report of Dr. Wayne Pierce.

Instead, Dr. Pierce affirmatively indicated in deposition testimony that the sorts of analyses and opinions identified above either had not been conducted or would not be part of his testimony at trial. Dr. Pierce did not supplement his report on any of this topics. Consequently, Dr. Pierce's trial testimony on these subjects should be stricken from the record.

A. Dr. Pierce's undisclosed opinions regarding I&S recapture should be stricken.

Dr. Pierce testified that he would not offer opinions regarding potential changes to recapture in Texas, nor would he advocate the recapture of I&S funds from school districts:

Q. (BY MR. SKIDMORE) There are references in your report to recapture. **Do you intend to offer opinions in this case about changes that should be made to the recapture that is -- to which different districts in Texas are subjected?**

A. Are you talking about am I going to recommend that recapture should be at one level or the other level?

Q. Yes.

A. No, I don't think you can do that because recapture is a tool to be used within a given system. Unless you know the parameters of the system, you don't really know what should be there with regard to recapture.

Q. And you're not advocating that I&S funds should be recaptured, are you?

A. I'm -- I have not been asked to comment on that. That's not part of what my testimony is going to be.

Ex. B, Pierce Depo. at 102:16-103:6 (Sept. 21, 2012)).

TTSFC's counsel also represented on the record at Dr. Pierce's deposition that the TTSFC Plaintiffs "don't intend to offer any testimony about what changes need to be put in place to the system. We merely intend to offer testimony about what the effects of the current system are on substantially equal revenue for substantially equal tax effort and let the Court decide whether the system is or is not constitutional and then have the legislature do whatever appropriate fix it is. But we – **I don't intend to sponsor any particular item as far as change in recapture, change in golden pennies, any of that sort.**" *Id.* at 104:16-105:1.

At trial on January 30, Dr. Pierce testified, in response to a question seeking confirmation that he was not advocating recapture of I&S revenue, that "I haven't had any position on that. There are some problems in that, and that's one possible solution to it, but there are probably other solutions as well and I really don't have any solution that I'm advocating at this time." Ex. C, Trial Trans. (1/30) at 159:25-160:2.

Notwithstanding Dr. Pierce's deposition and trial testimony and the representations of counsel for the TTSFC Plaintiffs, TTSFC's counsel elicited undisclosed opinion testimony from Dr. Pierce at trial regarding the propriety of recapturing I&S funds:

Q. And is recapture of I&S funds an additional and additional recapture of M&O funds one possible solution to solve some of the equity problems?

A. Yes, and it's probably one of the simplest ways to do it.

Ex. D, Trial Trans. (2/3) at 15:20-25. Opinion testimony regarding the simplicity or efficacy of recapturing I&S funds to address so-called "equity problems" was not a proper subject of re-

direct examination because Dr. Pierce confirmed in cross-examination that he was not advocating “any solution . . . at this time.” Ex. C at 159:23-160:2.

Because Dr. Pierce’s opinions regarding the recapture of I&S funds as a potential remedy were not timely disclosed and affirmatively represented by TTSFC counsel as outside the scope of Dr. Pierce’s testimony in this matter, Dr. Pierce’s testimony at Ex. D, page 15, lines 20-25 should be stricken from the record. *See generally* TEX. R. CIV. P. 193.6.

B. Dr. Pierce’s undisclosed analysis regarding districts’ use of I&S proceeds for certain M&O expenses should be stricken.

At his deposition on November 26, 2013, Dr. Pierce could only identify five districts that use I&S revenues for what he characterized as M&O expenses. Ex. A, Pierce Depo. at 17:5-23 (Nov. 26, 2013).

When asked for the basis for his opinion that the practice was growing, Dr. Pierce testified that it was “[j]ust talking to people at various times.” *Id.* at 19:15-19. Dr. Pierce later twice denied having performed any survey of districts to determine which districts use I&S proceeds for any M&O expenses. *Id.* at 20:7-9 (“[W]e have not sent out a survey or something like that because we don’t think that we would get an appropriate response.”); *see also id.* at 201:1-22.

Having conducted no survey, Dr. Pierce admitted that he was unable to reliably testify how many districts used I&S bond proceeds to fund some expenses that might otherwise be paid from M&O revenues:

Q. Have you done any sort of systematic analysis where you’ve tried to go out and canvas and find out exactly how many districts of the 1,021 there are in the state that actually do this?

A. If I were to canvas the districts that are in your group, do you think that they would be forthcoming and tell me exactly what they were doing with regard to this?

Q. Respectfully, that wasn't my question at all.

A. Well, it's the answer, though, is that -- that -- **no, I haven't because I don't think that canvassing would give me an accurate reply.** I don't think that -- for one thing, I don't think that your districts would even reply to it. I certainly don't think they're going to say, yes, we are. **Now, there have been individual superintendents who have told me exactly what they're doing, but as far as canvassing and getting a reliable answer, I'm not sure you could.** You might be able to do a Freedom of Information request or something, a court order or something. But, no, I did not go out and do a canvassing. I don't think it would have been productive.

Q. All right. Using your language, you don't have a reliable answer to know exactly how many districts in the state do this or engage in this practice you're describing here?

A. I do not have a number of districts that I could point out and say that is the number, no, sir, I do not.

Id. at 201:1-202:3.

In spite of Dr. Pierce's testimony at his deposition and without any supplemental disclosure prior to his testimony at trial, on January 30, 2014, Dr. Pierce testified on cross examination by the State that he had (1) performed additional analysis since his deposition, Ex. C at 24:20-25:8, 26:24-30:8; and (2) identified additional districts and source materials, which he contends supports his assertion that a growing number of districts use I&S funds for some M&O purposes. *Id.* at 28:6-30:8; *see also id.* at 158:11-15 (admitting that his additional analysis was not included in his expert report); *id.* at 158:16-20 (admitting that his additional analysis was not disclosed in his deposition testimony); *id.* at 158:21-159:3 (admitting that his additional analysis was not disclosed in his supplemental expert report).

Dr. Pierce's undisclosed analysis of additional districts allegedly engaged in using I&S proceeds for some M&O expenses was not "opened" on cross-examination because Dr. Pierce volunteered the previously undisclosed "analysis" in answers that exceeded the scope of the

question he was asked. *See, e.g.*, Ex. C at 24:15-25:8 (explaining Dr. Pierce’s post-deposition analysis in response to a question asking for confirmation that he had not done a study of school districts using I&S funds for M&O purposes); *see also id.* at 27:4-28:1 (describing individual districts’ alleged use of I&S proceeds in response to a question about whether the practice was “appropriate”); *id.* at 28:4-16 (responding to a question about one district with information about multiple districts). Confirmation in cross-examination of a witness’s testimony previously offered in deposition does not and cannot give license to a party to offer new analysis and opinions that were not disclosed before trial.

Because the bases for Dr. Pierce’s opinions were required to be disclosed in his expert report on October 21, 2013, and Dr. Pierce failed to disclose his post-deposition analysis in his original report, his deposition, or in any other supplemental report or disclosure, his testimony at Ex. C, page 24, line 20 through page 25, line 8, and page 26, line 24 through page 30, line 8 should be stricken under Rule 193.6. *See, e.g., Alvarado v. Farah Mfg. Co., Inc.*, 830 S.W.2d 911, 914 (Tex. 1992) (“The salutary purpose of Rule 215(5) [predecessor to Rule 193.6] is to require complete responses to discovery so as to promote responsible assessment of settlement and prevent trial by ambush. The rule is mandatory, and its sole sanction—exclusion of evidence—is automatic, unless there is good cause to excuse its imposition.” (citations omitted)).

Without any disclosure of the additional analysis allegedly performed by Dr. Pierce to bolster his opinions regarding the use of I&S funds for M&O purposes, the Calhoun County Plaintiffs were unable to evaluate Dr. Pierce’s methodology or otherwise prepare to examine Dr. Pierce regarding this analysis before trial.

C. Dr. Pierce's undisclosed opinions regarding the effect, if any, of districts' use of I&S funds for M&O purposes should be stricken.

Dr. Pierce testified at his deposition on November 26, 2013 that he had not performed any calculation showing the effect of districts' use of I&S funds for M&O expenses on gaps in revenue per WADA:

Q. And so you also don't know what effect in terms of dollars per WADA this practice has on any district or set of districts?

A. **I -- well, it's not in my -- for that reason, it's not in my gap calculations.** If I knew exactly, I would have that added too and show that the gap is actually much larger than it is. I mentioned this, that it's stealth, because we don't know. It's a stealth gap because we don't know what exactly it is. I just know that it is happening and it's happening with greater and greater frequency as people discover it and try to find outweighs to get around recapture. **So, no, I did not calculate it.**

A. **I don't have -- if I knew to what extent it increased the gap, then I would have included it. I don't have that, so I cannot give you a degree to which it would increase the gap, just that it does in that it's not measured.** And that's the point of this paragraph.

Ex. A at 202:4-26, 203:10-14.

In spite of Dr. Pierce's testimony at his deposition, Dr. Pierce testified at trial that he now did have a calculation of the amount of "inequity" caused by districts using I&S funds for M&O expenses. Ex. C at 31:15, 31:9-32:16. Again, Dr. Pierce's testimony of undisclosed calculations of the alleged effect of districts' use of I&S revenue for some M&O expenses was not opened on cross-examination because Dr. Pierce volunteered the details of his calculation in response to a question only asking to confirm whether such an analysis had been done. *Id.* A witness cannot leave significant gaps in his analysis at deposition only to have those gaps filled at trial with untimely and undisclosed opinions once the omission is highlighted in cross-examination.

Because Dr. Pierce was required to include all opinions and the basis for those opinions in his report due on October 21, 2013, but failed to disclose, either in his report or at his deposition, any opinions regarding the effect on revenue gaps, if any, of districts' use of I&S funds for certain M&O expenses, Dr. Pierce's testimony at Ex. C, page 31, lines 1-5 and page 31, line 9 through page 32, line 16 should be stricken from the record.

While it is the TTSEFC Plaintiffs' burden under Rule 193.6(b) to establish a record of either "good cause" or the absence of "unfair[] surprise" or "unfair[] prejudice" resulting from Dr. Pierce's failure to timely disclose his opinions or the basis, if any, for his opinion testimony, it is clear that without any disclosure of his calculation of the effect on revenue disparities among districts of the use of I&S funds for M&O purposes, the Calhoun County Plaintiffs have been denied discovery of the basis for those opinions, including any materials provided to, reviewed by, or prepared by or for Dr. Pierce, in advance of trial. As a result, the Calhoun County Plaintiffs have also been denied the opportunity to prepare for Dr. Pierce's opinion testimony at trial, which constitutes the very prejudice and surprise Rule 193.6 was designed to prevent.

CONCLUSION

For the foregoing reasons, the Calhoun County Plaintiffs respectfully request that this Court (1) grant this Motion; and (2) enter an order striking the following testimony of Dr. Wayne Pierce from the record of this matter: (a) Ex. C at 31:1-5, 31:9-32:16; (b) Ex. C at 24:20-25:8, 26:24-30:8; and (c) Ex. D at 15:20-25.

Respectfully submitted,

HAYNES AND BOONE, LLP

/s/ Mark R. Trachtenberg

Mark R. Trachtenberg
State Bar No. 24008169
1221 McKinney St., Suite 2100
Houston, Texas 77010
Telephone: (713) 547-2000
Telecopier: (713) 547-2600

John W. Turner
State Bar No. 24028085
2323 Victory Avenue, Suite 700
Dallas, Texas 75218
Telephone: (214) 651-5000
Telecopier: (214) 651-5940

ATTORNEYS FOR THE
CALHOUN COUNTY ISD PLAINTIFFS

CERTIFICATE OF CONFERENCE

I hereby certify that I conferred with counsel for the TTSFC plaintiffs regarding the matters set forth in this motion on February 4, 2014. The TTSFC plaintiffs are opposed to the relief sought in the Motion.

/s/ John Turner

John Turner

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing document has been served this 4th day of February, 2014 as provided below:

J. Christopher Diamond
The Diamond Law Firm, P.C.
17484 Northwest Freeway
Suite 150
Houston, Texas 77040

Via Email

Craig T. Enoch
Melissa A. Lorber
Enoch Kever PLLC
600 Congress, Suite 2800
Austin, Texas 78701

Via Email

Richard E. Gray, III
Toni Hunter
Gray & Becker, P.C.
900 West Ave.
Austin, Texas 78701

Via Email

Randall B. Wood
Doug W. Ray
Ray & Wood
2700 Bee Caves Road #200
Austin, Texas 78745
Telephone: (512) 328-8877
Fax: (512) 328-1156

Via Email

David G. Hinojosa
Marisa Bono
Mexican American Legal Defense
and Education Fund, Inc.
110 Broadway, Suite 300
San Antonio, Texas 78205

Via Email

Shelley N. Dahlberg
James "Beau" Eccles
Erika Kane
Texas Attorney General's Office
P.O. Box 12548, Capitol Station
Austin, Texas 78711

Via Email

J. David Thompson, III
Philip Fraissinet
Thompson & Horton LLP
3200 Phoenix Tower, Suite 2000
Houston, Texas 77027

Via Email

Robert A. Schulman
Joseph E. Hoffer
Ricardo R. Lopez
Schulman, Lopez & Hoffer, L.L.P.
517 Soledad Street
San Antonio, Texas 78205-1508

Via Email

/s/Michelle C. Jacobs
Michelle C. Jacobs

D-2239412_23

1 CAUSE NO. D-1-GN-11-003130
 2 TEXAS TAXPAYER & STUDENT) IN THE DISTRICT COURT OF
 FAIRNESS COALITION, ET)
 3 AL., CALHOUN COUNTY ISD,)
 ET AL.; EDGEWOOD ISD, ET)
 4 AL. FORT BEND ISD, ET)
 AL.; TEXAS CHARGER SCHOOL)
 5 ASSOCIATION, ET AL.,)

6 Plaintiffs,)

7)
 8 JOYCE COLEMAN, ET AL.,) TRAVIS COUNTY, TEXAS

9 Intervenors,)

10 VS.)

11)
 12 MICHAEL WILLIAMS)
 COMMISSIONER OF)
 13 EDUCATION, IN HIS)
 OFFICIAL CAPACITY; SUSAN)
 14 COMBS, TEXAS COMPTROLLER)
 OF PUBLIC ACCOUNTS, IN)
 15 HER OFFICIAL CAPACITY;)
 TEXAS STATE BOARD OF)
 16 EDUCATION,)

17 Defendants.) 200TH JUDICIAL DISTRICT

18
 19
 20
 21 ORAL DEPOSITION OF WAYNE PIERCE, ED.D
 NOVEMBER 26, 2013
 22 VOLUME 2

23 Reported By:
 24 Tamara Chapman
 25 Job # 67350

Unofficial Copy Travis Co. District Clerk Velya L. Price

1 ORAL DEPOSITION OF WAYNE PIERCE, ED.D, produced
 2 as a witness at the instance of the Defendants and duly
 3 sworn, was taken in the above styled and numbered cause on
 4 Tuesday, 26th day of November, 2013, from 9:01 a.m. to
 5 5:02 p.m., before Tamara Chapman, CSR in and for the State
 6 of Texas, reported by computerized stenotype machine, at
 7 the offices of Gray & Becker, 900 West Avenue, Austin,
 8 Texas, pursuant to the Texas Rules of Civil Procedure and
 9 the provisions stated on the record herein.
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

APPEARANCES

1
 2
 3 COUNSEL FOR TEXAS TAXPAYER & STUDENT FAIRNESS COALITION:
 4 Mr. Richard Gray
 5 GRAY & BECKER
 6 900 West Avenue
 7 Austin, Texas 78701

8 COUNSEL FOR MICHAEL WILLIAMS COMMISSIONER OF EDUCATION, IN
 9 HIS OFFICIAL CAPACITY; SUSAN COMBS, TEXAS COMPTROLLER OF
 10 PUBLIC ACCOUNTS, IN HER OFFICIAL CAPACITY; TEXAS STATE
 11 BOARD OF EDUCATION:
 12 Ms. Linda Halpern
 13 ATTORNEY GENERAL OF TEXAS
 14 300 W. 15th Street
 15 Austin, Texas 78701

16 COUNSEL FOR FORT BEND INDEPENDENT SCHOOL DISTRICT
 17 PLAINTIFFS:
 18 Ms. Holly McIntush
 19 THOMPSON & HORTON
 20 400 West 15th Street
 21 Austin, Texas 78701

22 COUNSEL FOR INTERVENORS, JOYCE COLEMAN, ET AL.:
 23 Mr. J. Christopher Diamond (via telephone)
 24 THE DIAMOND LAW FIRM
 25 17484 Northwest Freeway
 Houston, Texas 77040

COUNSEL FOR EDGEWOOD INDEPENDENT SCHOOL DISTRICT PLAINTIFFS:

1 Mr. David Hinojosa (via telephone)
 2 MALDEF
 3 110 Broadway
 4 San Antonio, Texas 78205

FOR THE CHARTER SCHOOL PLAINTIFFS:

5 Mr. Leonard Schwartz
 6 SCHULMAN LOPEZ & HOFFER
 7 701 Brazos Street
 8 Austin, Texas 78701

FOR THE CALHOUN COUNTY PLAINTIFFS:

9 Mr. Micah Skidmore
 10 HAYNES AND BOONE
 11 2323 Victory Avenue
 12 Dallas, Texas 75219
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

*** EXAMINATION INDEX

	Page
EXAMINATION BY MS. HALPERN.....	9
EXAMINATION BY MR. SKIDMORE.....	141
EXAMINATION BY MR. SCHWARTZ.....	254
FURTHER EXAMINATION BY MS. HALPERN.....	258

INDEX OF EXHIBITS

	Page
Exhibit 20113.....	22
Supplemental Expert Report - Dr. Wayne Pierce - October 21, 2013 (no Bates - 82 pages)	
Exhibit 20114.....	29
Summary: Foundation School Program Impact of Actions by the 83rd Legislature (Model 115) (no Bates - 1 page)	
Exhibit 20115.....	31
State Funding News - State (1,022 districts) - TEA (no Bates - 1 page)	
Exhibit 20116.....	40
Excel file District by District Reports for FY13 FY14(13) and FY15(13). 10-20-13	
Exhibit 20117.....	80
Excel file FY 13 Wealth-District. 10-15-13	

1 that the calculation of WADA is dependent on lots of
2 assumptions such as the weights that are appropriate for
3 things like compensatory education and that those have not
4 been updated and are probably not appropriate but that --
5 and the calculation of WADA is an appropriate calculation
6 taking into consideration the differences in cost.

7 Q. Do you think that a district that only has
8 students in grades K through eight should get the same
9 revenue per WADA as a district that has one or more high
10 schools?

11 A. There is a difference in the WADA that's
12 generated at different levels. For example, you're not --
13 K-8 you're not going to see very much, if any, vocational.
14 And so there would be a natural increase in WADA -- in the
15 number of WADA at a high school. So the funding that
16 would be relevant to the cost of the vocational program is
17 naturally flowing in that sense. So, yeah, I think that
18 in a system that's properly weighted, that you could have
19 the same revenue on a per weighted basis.

20 Q. What about very small districts? Are there
21 diseconomies of scale for small districts? Let's say a
22 district of 200 kids. Should they get the same amount per
23 WADA as Houston?

24 A. Well, yes.

25 Q. What about I&S funds? In your view should every

1 district receive the same amount in I&S funding that every
2 other district receives?

3 A. No, that's a -- well, in your question, what that
4 would mean is that Houston would receive exactly the same
5 dollar amount that Tioga would get, and obviously you
6 wouldn't have the same amount of money for Houston that
7 you would for Tioga.

8 Q. That's a fair point. Let me rephrase the
9 question.

10 First of all, is I&S money calculated on a WADA
11 basis or an ADA basis or some other way?

12 A. The State funding for FFA and EDA is calculated
13 on an ADA basis.

14 Q. Okay.

15 A. It's a guaranteed level per ADA.

16 Q. All right.

17 A. But in all other ways it's not.

18 Q. That being the case, should Houston receive the
19 same amount per ADA for I&S funding as San Marcos?

20 A. No, with respect to -- that the amount of money
21 that a district should get should be relative to the cost
22 of their bonded indebtedness. If San Marcos, for whatever
23 reason, say they had had building programs in the past and
24 their enrollment hadn't gone up so they had no need for
25 other buildings, well, you wouldn't give them money just

1 because you were giving it to some other district that
2 might be growing and -- and have greater need.

3 But I -- does that answer your question?

4 Q. Well, I think so. Let me just explore this a
5 little bit. What in your view is the purpose of I&S
6 funding?

7 A. The purpose of I&S funding from the State or the
8 local or both?

9 Q. Both. Just I&S money. Why do districts seek it?

10 A. The districts seek I&S money in order to make
11 payments on bonded indebtedness.

12 Q. Okay. And who or what determines whether a
13 district decides to indent itself in that way?

14 A. The local districts with the vote of the people
15 will get authorization to sell bonds for the purpose of
16 construction or for capital outlay or some other things
17 that might be appropriate in law.

18 Q. What sorts of things do districts look at in
19 deciding whether to float an I&S bond?

20 A. Well, the most obvious is if you have a fast
21 growth district and they're having to build new schools.
22 That's the obvious one. And you'd need to build those
23 maybe in areas where the housing additions were going in.
24 Build a new elementary school. But there are other
25 reasons that people do those also.

1 There are also short-term bonds that some
2 districts do in order to pay for capital outlay, things
3 that can be very varied, for example, to buy school buses,
4 to buy technology.

5 Q. Can you give me examples of districts that are
6 doing that, using I&S money for --

7 A. M&O?

8 Q. -- for nonbuilding type expenditures?

9 A. Sure.

10 Q. For nonlong-term capital expenditures?

11 A. Now, as to whether that's going on right at this
12 minute, I have not looked to see what people are doing or
13 whether their short-term bonds have been paid off or what.
14 But within just the very recent past for sure, Groesbeck
15 is one. I believe Leon Consolidated. Yeah, Canadian,
16 Eanes. Those are the ones that come to mind right now.
17 But it's a growing phenomenon. Tatum.

18 Q. That's four districts --

19 Tatum? So that's five districts you've
20 identified that you believe have short-term bond offerings
21 right now?

22 A. Yes, that I can think of right now just off the
23 top of my head.

24 Q. And is that sort of the tip-off, how we would
25 tell that the purpose of the bond is for something like

1 school buses as opposed to a building is that it's a
2 short-term bond?

3 A. Not necessarily. I suppose that there are
4 districts -- see, there's no recapture on the I&S side.
5 So you could have a district that is so wealthy that they
6 may be able to raise great sums of money in relatively
7 short time. Part of the way that you can tell is when you
8 look at the purpose of the bond.

9 If Eanes, for example, were to raise money for
10 painting, you know, replacing HVAC or buying technology
11 and then they say online that the reason why they're doing
12 that is to pay for capital projects normally paid out of
13 M&O so that -- so that that would free up M&O money to pay
14 teachers higher salaries, well, that's obvious.

15 Q. Who has to approve bond offerings by school
16 districts?

17 A. I'm sure not who does. I'm not sure that there's
18 anybody who has direct control over that, if there was
19 somebody, other than the local people. I guess you could
20 have a patron who might file a lawsuit. I wouldn't have
21 any idea. That's kind of a legal issue.

22 Q. Do you know whether the Attorney General's office
23 has any oversight in that regard?

24 A. I do not. I don't know if TEA does either.

25 Q. Are there other reasons a district might float a

1 short-term bond, i.e., if they expect interest rates to
2 fall?

3 A. I would think that -- of course, you can -- you
4 can also have a long-term bond that you can refinance
5 under certain circumstances. But I think there could be
6 several reasons why they're using short-term bonds.

7 Q. But as you sit here today, you're able to name
8 five districts for me that are doing that, that you have
9 heard are doing that. Is that correct?

10 A. There are others that I've heard of over time.
11 It's not just a small -- it's a growing phenomenon. As
12 people are finding out that they can do this and avoid
13 recapture, there's more and more of it and it will
14 continue to do that just logically.

15 Q. You say it's growing. You've named five for me.
16 What is your basis for saying -- is this because you've
17 talked to people, you've read about it? What is your
18 basis for saying this is growing?

19 A. Just in talking to people at various times. And
20 you can talk to superintendents at different parts of the
21 state, and they'll talk about how they're doing this out
22 here, and you hear more people say that -- I'll give you a
23 good example.

24 I did a presentation in Paris this last --
25 earlier in this month, and the father of a superintendent

1 from Dime Box came up and said they had just discovered
2 that they could avoid recapture by moving some of their
3 capital payments over to short-term bonds. That was a
4 superintendent who had just heard about that. They're
5 going to do that but haven't done it yet. And, of course,
6 that has to have board approval and the people vote on it.

7 But we have not done -- we have not sent out a
8 survey or something like that because we don't think that
9 we would get an appropriate response.

10 Q. Have you done any sort of facilities needs
11 assessment for the Equity Center members who are
12 plaintiffs in this lawsuit?

13 A. Have I done what, now?

14 Q. Any kind of facilities needs assessment.

15 A. We -- we attempted to do that before the original
16 trial, and we didn't get enough of a response to really
17 lead to any conclusions. It was -- it just was too
18 much -- we were asking for too much information in order
19 do that, and we just didn't get a good response. So, yes,
20 we tried. And, no, we didn't do it.

21 Q. The Equity Center members couldn't be bothered to
22 fill out your survey?

23 A. No, I wouldn't say they couldn't be bothered. I
24 would say that when you're talking about low wealth
25 districts, they typically don't have the personnel

1 available to take the time to do this, and their first
2 priority is to educate children. And they did probably
3 about the best they could with the resources they had. I
4 never thought that it was something that they didn't care
5 about.

6 Q. Well, I mean, if you're talking about a district
7 that's asking for funds so they can build a building, one
8 would presume they had done some sort of facilities
9 analysis already, wouldn't you, to determine what they
10 needed and where they needed it and how to spend the money
11 if they had it?

12 A. Many schools have. Some schools, because the
13 funding for facilities is so low, they know that the tax
14 effort would be so great that they probably couldn't pass
15 the bond election. And so if you don't think that you
16 truly have access to appropriate funding, then you have
17 facilities need but never bother to do a study because if
18 you can't get there, there's no point in studying where
19 you're going to go.

20 Q. To your knowledge has anybody done a facilities
21 assessment, facilities needs assessment? You just told me
22 you have not. To your knowledge has anybody else in the
23 state done one in the last few years?

24 A. I think the comptroller did a few years back.

25 Q. Have you reviewed it?

1 and figure out how much more funding on a classroom basis
2 exists in the bottom 5 percent -- or, rather, the top
3 5 percent of school districts ranked by compressed tax
4 rate yield versus their bottom 5 percent counterparts,
5 that's not what you're doing here, is it?

6 A. No.

7 Q. And what would you have to do to figure that out?

8 A. Well, you would have a problem figuring it out
9 because the districts in different groups have different
10 weighted ADA-to-ADA ratio. There are districts that have
11 different needs, students have different needs. That's
12 one reason that we've relied on WADA, because it takes
13 that into consideration.

14 So if you were trying to -- if you were to say
15 that this classroom had X number of collars and that
16 classroom had Y number of dollars, you couldn't just
17 subtract X minus Y and say that's a meaningful comparison
18 because the 22 children in one classroom may have greater
19 needs and calculate out to greater WADA than they do in
20 another classroom. That's the reason why I looked at it
21 as a disadvantage.

22 Q. Okay. But to be clear, this model that we're
23 looking at on Page 17 doesn't try to take into account all
24 of those factors you just mentioned, does it?

25 A. It answers the question that I stated in the

1 report.

2 Q. Okay. And what question was that?

3 A. If these districts in the bottom 5 percent in
4 this illustration right here were to be funded at the same
5 level as the districts in the top 5 percent, they would
6 have available \$170,000 more money in a classroom of 22
7 kids assuming a 95 percent attendance rate.

8 Q. Okay. And, again, that's not a -- you're not
9 trying to estimate how much actual difference there is
10 between any grouping of districts in Texas in terms of
11 their actual classroom funding?

12 A. It would not be appropriate. It wouldn't be
13 meaningful to do it that way without some way saying -- if
14 you could have districts -- have two different districts
15 in the -- or two different groups and they had exactly the
16 same mix of student needs that manifests itself in WADA
17 calculation, you could do that. Otherwise, I don't think
18 it would be meaningful to do that.

19 Q. And so you haven't done that here?

20 A. No.

21 Q. Let's look at the next page, Page 18. Underneath
22 the heading "Inequity of the Adopted Tax Rate," there is a
23 sentence here that says, "In fact, property wealthy
24 districts are even going beyond M&O, using short-term
25 bonds paid with unrecaptured I&S tax rates to pay for

1 capital expenditures that have historically been paid
2 through M&O."

3 Do you see that text?

4 A. I did not find out where it was, and so I don't
5 follow, but I was listening to it.

6 Q. In the middle of the paragraph right below the
7 heading "Inequity" --

8 A. Starting with "In fact."

9 Q. Yes.

10 So here you're saying essentially that there are
11 some districts that use short-term I&S bonds or I&S funds
12 to pay or supplement their M&O revenues --

13 A. Yes.

14 Q. -- is that in essence what you're saying?

15 A. And I guess it doesn't even necessarily have to
16 be a short-term bond. I guess you could have even
17 long-term bonds that did that, but, yes.

18 Q. Okay. Now, what I want to understand is, how did
19 you come to that conclusion?

20 A. Well, just based on discussions I've had with
21 people, including superintendents of districts where they
22 are doing that. Reading Web pages, talking with the
23 superintendents when I go to their RAG meetings and
24 different regions and -- but this is a -- is a common
25 practice becoming more and more frequent.

1 Q. Have you done any sort of systematic analysis
2 where you've tried to go out and canvas and find out
3 exactly how many districts of the 1,021 there are in the
4 state that actually do this?

5 A. If I were to canvas the districts that are in
6 your group, do you think that they would be forthcoming
7 and tell me exactly what they were doing with regard to
8 this?

9 Q. Respectfully, that wasn't my question at all.

10 A. Well, it's the answer, though, is that -- that --
11 no, I haven't because I don't think that canvassing would
12 give me an accurate reply. I don't think that -- for one
13 thing, I don't think that your districts would even reply
14 to it. I certainly don't think they're going to say, yes,
15 we are.

16 Now, there have been individual superintendents
17 who have told me exactly what they're doing, but as far as
18 canvassing and getting a reliable answer, I'm not sure you
19 could. You might be able do a Freedom of Information
20 request or something, a court order or something. But,
21 no, I did not go out and do a canvassing. I don't think
22 it would have been productive.

23 Q. All right. Using your language, you don't have a
24 reliable answer to know exactly how many districts in the
25 state do this or engage in this practice you're describing

1 here?

2 A. I do not have a number of districts that I could
3 point out and say that is the number, no, sir, I do not.

4 Q. And so you also don't know what effect in terms
5 of dollars per WADA this practice has on any district or
6 set of districts?

7 A. I -- well, it's not in my -- for that reason,
8 it's not in my gap calculations. If I knew exactly, I
9 would have that added too and show that the gap is
10 actually much larger than it is. I mentioned this, that
11 it's stealth, because we don't know. It's a stealth gap
12 because we don't know what exactly it is. I just know
13 that it is happening and it's happening with greater and
14 greater frequency as people discover it and try to find
15 outweighs to get around recapture. So, no, I did not
16 calculate it.

17 Q. If you haven't done a survey and you don't know
18 the amount of the impact, how can you say that the gaps
19 you've calculated would be much larger if this were taken
20 into account?

21 A. I don't recall that I said that it would be much
22 larger. Didn't I say that they would be larger?

23 Q. I believe --

24 A. Maybe I did. Let's look and see.

25 (Witness reviews document.)

1 Q. (BY MR. SKIDMORE) Let me make it clear, then.
2 Your testimony is not --

3 A. Let see look and see what I said first.

4 Q. By "much larger," I was referring to the answer
5 that you just gave in your deposition just now.

6 MR. GRAY: He's not referring to what's
7 written. He was referring to what he thought he heard --

8 THE WITNESS: Okay.

9 MR. GRAY: -- in an oral response.

10 A. I don't have -- if I knew to what extent it
11 increased the gap, then I would have included it. I don't
12 have that, so I cannot give you a degree to which it would
13 increase the gap, just that it does in that it's not
14 measured. And that's the point of this paragraph.

15 Q. (BY MR. SKIDMORE) So you don't know one way or
16 the other whether it's significant or not?

17 A. Yes -- no, it's significant. And if you're
18 talking about that I have a dollar amount and you can take
19 that as a percentage of the gap and the gap would be
20 larger by this percentage and, therefore, it's
21 significant, then I don't mean that. It's significant
22 because we already have a tremendous gap.

23 And this is something that's in our broken system
24 that is making that gap grow larger and it's having
25 increasing -- increasing impact in how that's done. So

1 it's a very significant, but I do not have the number that
2 is being used today.

3 But from -- in my own opinion based on years of
4 being in this field and talking with people all across the
5 state, it become more and more of a problem, as time goes
6 on and as the values within districts continue to rise, so
7 it is significant.

8 Q. You just don't know how significant?

9 A. I just told you how significant. I don't know
10 how I can be more clear than what I told you.

11 Q. My question was: You don't know the degree?

12 A. I do not have the number that it increases the
13 gap.

14 Q. Dr. Pierce, if you could turn to Page 20 of your
15 report. In addition to doing analyses where you have
16 sorted by compressed tax rate yield, you also sorted by
17 wealth?

18 A. Yes.

19 Q. Tell me why you decided to sort by wealth.

20 A. That's on Page 20?

21 Q. Yes.

22 A. Because it historically has been done and I was
23 asked to look at it from that standpoint, too. So I did
24 that and provided the information.

25 Q. Why is it important to do it as it has been

1 historically done?

2 A. Well, wealth has been -- of all of the
3 characteristics of districts, wealth is probably the
4 greatest driver of inequity. There are some new
5 Chapter 41 districts that they are not being carried by
6 the target revenue, and it may not be as important on the
7 M&O side for them. But wealth is an important driver of
8 inequity. I guess that's good enough right there.

9 Q. I want to draw your attention to the values
10 underneath the heading "Average M&O Revenue Per WADA At
11 ATR." Do you see that?

12 A. Yes.

13 Q. For example, we have a bottom 5 percent, top
14 5 percent comparison where you've got a difference of
15 \$3,200 and change. Do you see that?

16 A. Yes.

17 Q. And this, by the way, is an analysis you've done
18 using 2013 near final data and 2014 parameters. Is that
19 right?

20 A. Yes.

21 Q. Based on your understanding of the changes that
22 have been made to the formulas since 2012, which would be
23 the year that you used in your testimony at the last
24 trial. Is that accurate?

25 A. Uh-huh.

1 CAUSE NO. D-1-GN-11-003130

2 TEXAS TAXPAYER & STUDENT) IN THE DISTRICT COURT
3 FAIRNESS COALITION, ET)
4 AL.,)

5 Plaintiffs,)

6 VS.)

7 EDGEWOOD INDEPENDENT)
8 SCHOOL DISTRICT, ET AL.,)
(CONSOLIDATED)

) TRAVIS COUNTY, TEXAS

9 Plaintiffs,)

10 VS.)

11 ROBERT SCOTT, IN HIS)
12 OFFICIAL CAPACITY AS)
13 COMMISSIONER OF EDUCATION,)
14 ET AL.,)

15 Defendants.) 200TH JUDICIAL DISTRICT

16 *****

17 ORAL DEPOSITION OF
18 WAYNE PIERCE, Ed.D.
19 SEPTEMBER 21, 2012

20 *****

21 ORAL DEPOSITION OF WAYNE PIERCE, Ed.D., produced as a
22 witness at the instance of the Defendant(s), and duly
23 sworn, was taken in the above-styled and numbered cause on
24 Friday, September 21, 2012, from 9:11 a.m. to 4:29 p.m.,
25 before Tamara K. Chapman, CSR in and for the State of
Texas, reported by machine shorthand, at the offices of
Gray & Becker, 900 West Avenue, Austin, Texas, pursuant to
the Texas Rules of Civil Procedure and the provisions
stated on the record or attached hereto.

25 Job No. 53141

APPEARANCES

COUNSEL FOR TEXAS TAXPAYER & STUDENT FAIRNESS COALITION

Mr. Richard Gray, III
Mr. Richard Gray, IV
GRAY & BECKER
900 West Avenue
Austin, Texas 78701

COMMISSIONER SCOTT, IN HIS OFFICIAL CAPACITY; TEA;
COMPTROLLER OF PUBLIC ACCOUNTS, SUSAN COMBS, IN HER
OFFICIAL CAPACITY:

Ms. Shelley Dahlberg
ATTORNEY GENERAL OF TEXAS
300 West 15th Street
Austin, Texas 78701

COUNSEL FOR EDGEWOOD INDEPENDENT SCHOOL DISTRICT
PLAINTIFFS:

Mr. David Hinojosa
MALDEF
110 Broadway
San Antonio, Texas 78205

COUNSEL FOR CALHOUN COUNTY PLAINTIFFS:

Mr. Micah Skidmore
HAYNES AND BOONE
2323 Victory Avenue
Dallas, Texas 75219

COUNSEL FOR INTERVENORS, JOYCE COLEMAN, ET AL.:

Mr. J. Christopher Diamond
THE DIAMOND LAW FIRM
17484 Northwest Freeway
Houston, Texas 77040

ALSO PRESENT:

Mr. Ken Grusendorf
2401 Westlake Pass
Austin, Texas 78746

Mr. Ray Freeman - Equity Center
Mr. Dan Casey - Moak Casey
Ms. Lisa Dawn-Fisher - TEA

EXAMINATION INDEX

	Page
EXAMINATION BY MS. DALBERG	5
EXAMINATION BY MR. SKIDMORE	99
EXAMINATION BY MR. DIAMOND	196
FURTHER EXAMINATION BY MS. DALBERG	214

INDEX OF EXHIBITS

	Page
Exhibit 1108.....	5
Notice of Deposition	
Exhibit 1109.....	6
Dr. Pierce's General Biography	
Exhibit 1110.....	6
Dr. Pierce's report	
Exhibit 1111.....	140
Spreadsheet with District (FY2010)	
Exhibit 1112.....	141
Spreadsheet with District (FY2006)	

WAYNE PIERCE, Ed.D.,

having been first duly sworn, testified as follows:

EXAMINATION

BY MS. DALBERG:

Q. Good morning, Dr. Pierce.

A. Good morning.

Q. How are you?

A. I'm doing fine.

Q. Good. We've met one other time before. I'm Shelley Dalberg. I'm with the Attorney General's office here in Austin, and I'm one of the many lawyers on the team defending the school finance case. I think I'd like to go ahead and just get out of the way these exhibits, because I really only have a few.

I'll mark as Exhibit 1108 a copy of your deposition notice. Have you seen that before?

(Exhibit 1108 was marked.)

Q. (BY MS. DALBERG) Have you seen that before?

A. Yeah, I think I have.

MR. GRAY: Shelley, I don't know if you sent it to him or not.

A. Oh, okay. I did get several of the notices.

Q. (BY MS. DALBERG) Well, if I represent to you that that is the copy that I have of the notice, will that be sufficient --

1 they probably don't need additional money to meet a
2 general diffusion of knowledge. But I would say that --
3 that the majority of districts it would certainly be
4 applicable to.

5 Q. But you haven't identified which ones do or don't
6 at this point?

7 A. That's correct.

8 Q. Okay.

9 MR. GRAY: Micah, as you know, there will be
10 testimony in the case, joint testimony, frankly, from all
11 of the plaintiff groups that will attempt to identify what
12 those numbers are, but Dr. Pierce is not one of those who
13 will be offering that testimony.

14 MR. SKIDMORE: Thank you. I appreciate
15 that.

16 Q. (BY MR. SKIDMORE) There are references in your
17 report to recapture. Do you intend to offer opinions in
18 this case about changes that should be made to the
19 recapture that is -- to which different districts in Texas
20 are subjected?

21 A. Are you talking about am I going to recommend
22 that recapture should be at one level or the other level?

23 Q. Yes.

24 A. No, I don't think you can do that because
25 recapture is a tool to be used within a given system.

1 Q. And you're not intending to testify at trial that
2 the golden penny tier should be eliminated, are you?

3 A. I don't intend to at this time. I guess it
4 depends on what questions I'm asked and in what manner at
5 that time. If I was given certain parameters, for
6 example, if someone were to ask what if the guarantee
7 level for the golden pennies be set at a level without
8 regard to it being at the Austin level, then I would have
9 a great problem with keeping no recapture on the golden
10 pennies. I think that would really be a bad thing.

11 Q. What I'm trying to understand is, as you sit here
12 today you're not planning to go to trial and testify that
13 in order to achieve equity that the golden pennies as they
14 are currently established should be done away with?

15 A. No.

16 MR. GRAY: Sorry, Micah, if it will help
17 you, we don't intend to offer any testimony about what
18 changes need to be put in place to the system. We merely
19 intend to offer testimony about what the effects of the
20 current system are on substantially equal revenue for
21 substantially equal tax effort and let the Court decide
22 whether the system is or is not constitutional and then
23 have the legislature do whatever appropriate fix it is.
24 But we -- I don't intend to sponsor any particular item as
25 far as change in recapture, change in golden pennies, any

1 Unless you know the parameters of the system, you don't
2 really know what should be there with regard to recapture.

3 Q. And you're not advocating that I&S funds should
4 be recaptured, are you?

5 A. I'm -- I have not been asked to comment on that.
6 That's not part of what my testimony is going to be.

7 Q. There are statements in your report about golden
8 pennies. Do you know what I'm referring to by that?

9 A. Yes.

10 Q. Are you intending to offer any opinions in this
11 case about changes that should be made to -- to those
12 golden pennies?

13 A. With respect to what?

14 Q. With -- in any respect?

15 MR. HINOJOSA: Objection; form.

16 Q. (BY MR. SKIDMORE) Do you understand the --

17 A. There --

18 Q. -- question?

19 A. Yes. I think there's a question raised in here
20 about having unrecaptured pennies as part of the basic
21 tier. That that's a problem. And I raise that issue in
22 here.

23 As far as making a recommendation that -- more
24 than what is in current law, I'm not prepared to offer
25 testimony on that.

1 of that sort.

2 MR. SKIDMORE: Thank you. I appreciate
3 that. I just want to -- as you can appreciate, there are
4 some opinions that are offered here about these topics and
5 I want to make sure I understand how -- what the position
6 is exactly.

7 MR. GRAY: Absolutely.

8 Q. (BY MR. SKIDMORE) Okay. Moving on then to --

9 Well, let me back up. With respect to golden
10 pennies, you don't disagree with the notion conceptually
11 that some level of enrichment funding that is not
12 equalized is okay?

13 A. Say that again without the you don't -- don't --
14 the negative at the front.

15 Q. Okay. Would you agree with me that some level of
16 enrichment funding, assuming that adequacy -- let me back
17 up.

18 Would you agree with me that in excess of what is
19 necessary to fund adequacy, that some level of enrichment
20 funding that is not completely equalized is okay?

21 MR. HINOJOSA: Objection; form.

22 A. I -- I wouldn't --

23 Q. (BY MR. SKIDMORE) Do you understand the
24 question?

25 A. Yeah, there are several levels. That one would

Exhibit "C"

1

1 January, 30th, 2014 continuation of Doctor Wayne Pierce,
00:00:23 2 beginning of cross-examination by Linda Halpern.
00:15:10 3 THE COURT: Mr. Schulman.
00:15:16 4 MR. SCHULMAN: Yes, sir.
00:15:17 5 THE COURT: You have to tell us the name
00:15:19 6 of your band.
00:15:22 7 MR. SCHULMAN: Which band?
00:15:23 8 THE COURT: The band that you started
00:15:24 9 with.
00:15:26 10 MR. SCHULMAN: The band that I started
00:15:27 11 with?
00:15:29 12 THE COURT: Yes.
00:15:30 13 MR. SCHULMAN: I think that was Six Part
00:15:31 14 Invention.
00:15:32 15 THE COURT: Six Part Invention. All
00:15:34 16 right. Now, are you having any sense of de javu.
00:15:44 17 MR. SCHULMAN: At the same inquiry.
00:15:47 18 THE COURT: On January 30th, 2013, I asked
00:15:52 19 you that same question.
00:15:55 20 MR. SCHULMAN: I'm glad we're consistent,
00:15:57 21 Your Honor.
00:17:08 22 MS. HALPERN: Your Honor, we have a
00:17:10 23 preliminary matter and I would like to move in some
00:17:14 24 exhibits at this time prior to continuing. They are
00:17:17 25 Exhibit 5763 to 5781, and they are the spreadsheets that

2

00:17:25 1 go with Dr. Pierce's report.
00:17:31 2 THE COURT: Are they authored by
00:17:32 3 Dr. Pierce?
00:17:34 4 MS. HALPERN: Yes.
00:17:34 5 THE COURT: And were they produced in
00:17:36 6 discovery?
00:17:36 7 MS. HALPERN: Yes.
00:17:37 8 THE COURT: They're admitted.
00:17:42 9 (Exhibit Nos. 5763 through 5781 admitted)
00:17:59 10 CROSS-EXAMINATION
00:17:55 11 Q. Good morning.
00:17:56 12 A. Good morning.
00:17:57 13 Q. I'd like to ask you a couple of brief questions
00:18:04 14 about your background. We heard that you were the
00:18:09 15 director of the Equity Center, and I know you were
00:18:12 16 formally a superintendent. Were you ever a teacher?
00:18:16 17 A. Yes.
00:18:17 18 Q. What subject did you teach?
00:18:19 19 A. High school math.
00:18:21 20 Q. What courses did that include?
00:18:24 21 A. I taught Algebra I, two, geometry,
00:18:31 22 pre-calculus.
00:18:33 23 Q. Okay. And how many years were you a math
00:18:35 24 teacher?
00:18:36 25 A. Seven.

2/4/2014 1:53:40 PM

3

00:18:37 1 Q. Now, you're currently employed by
00:18:41 2 is that right?
00:18:42 3 A. Yes, ma'am.
00:18:42 4 Q. And can you tell me what the
00:18:45 5 does?
00:18:47 6 A. The Equity Center is an organization of lower
00:18:51 7 wealth, lower funded school districts. We have about
00:18:57 8 670 members and they joined together to provide data
00:19:02 9 research regarding how school finance impacts their
00:19:05 10 districts and we do -- we do research in that regard.
00:19:09 11 We write articles and try to educate people and then we
00:19:12 12 also work the Legislature to try to find solutions that
00:19:16 13 are beneficial to all kids.
00:19:18 14 Q. All right. During the run up to the first
00:19:22 15 trial in this case, the Equity Center had a spreadsheet
00:19:25 16 posted on its website that kept track of which school
00:19:30 17 districts were joining the lawsuit, didn't it?
00:19:32 18 A. I believe so.
00:19:32 19 Q. I made great use of it. It was better
00:19:35 20 organized that some of us and you also had a map and on
00:19:40 21 the map, it showed which districts were suing the state;
00:19:43 22 is that right?
00:19:43 23 A. Yes, yes.
00:19:43 24 Q. Now, when the Legislature -- when the 83rd
00:19:57 25 Legislature met, you testified before it, did you not?

Amalia Rodriguez-Mendoza
District Clerk
Travis County
D-1-GN-11-003130
Equity Center

4

00:20:01 1 A. Yes, I did.
00:20:01 2 Q. And you made recommendations to the Legislature
00:20:03 3 about things that you recommended that they do?
00:20:09 4 A. Yes and it was an array of things that would
00:20:12 5 help provide better equity.
00:20:14 6 Q. And one of the things that you recommended was
00:20:16 7 that the Legislature remove the regular program
00:20:19 8 adjustment factor so that the regular program would be
00:20:22 9 fully funded; is that right?
00:20:24 10 A. That's correct.
00:20:25 11 Q. And did the Legislature do that?
00:20:27 12 A. Yes, they did.
00:20:28 13 Q. Okay. Another thing that you recommended was
00:20:34 14 the money be used to increase the basic allotment such
00:20:39 15 that the equalized wealth level would be raised
00:20:42 16 accordingly. Did the Legislature do that?
00:20:44 17 A. Yes, they raised the basic allotment and the
00:20:47 18 equalized wealth level.
00:20:48 19 Q. Did you also recommend that the Legislature not
00:20:50 20 put any money into grants and that they take the money
00:20:55 21 that they had and basically put it into the regular
00:20:58 22 program?
00:20:59 23 A. Yes, I did.
00:21:00 24 Q. And did the Legislature do as you had
00:21:03 25 recommended with respect to that?

00:44:46 **1 A. Typically. Make sure I heard that right. The**
 00:44:50 **2 districts that are funded to highest levels with I&S or**
 00:44:54 **3 have access to the highest levels of I&S funding are the**
 00:44:57 **4 ones who are funded at higher levels of M&O, is that**
 00:45:00 **5 your question?**
 00:45:01 **6 Q. Yes.**
 00:45:01 **7 A. Okay. That's correct.**
 00:45:02 **8 Q. All right. The existing school finance formula**
 00:45:05 **9 provides for I&S funding on the basis of ADA, doesn't**
 00:45:07 **10 it?**
 00:45:08 **11 A. The formula does, yes.**
 00:45:10 **12 Q. All right. And, in fact, Mr. Wisnoski's**
 00:45:19 **13 PowerPoint has this slide, slide 130 of his PowerPoint**
 00:45:23 **14 that has the formulas for IFA and EDA; is that right?**
 00:45:27 **15 A. Yes, that's the -- that's the formula for**
 00:45:30 **16 providing state funds.**
 00:45:33 **17 Q. Right.**
 00:45:34 **18 A. For EDA and IFA.**
 00:45:36 **19 Q. All right. And in both of those formulas, the**
 00:45:39 **20 calculation involves -- uses ADA and not WADA; right?**
 00:45:46 **21 A. That's correct.**
 00:45:46 **22 Q. Now, you've done a number of calculations**
 00:45:56 **23 involving analysis of I&S and they've all been presented**
 00:45:58 **24 on a WADA basis, haven't they, sir?**
 00:46:01 **25 A. When we talked about the revenue levels, yes.**

00:46:03 **1 Q. As a practical matter, a child can only be**
 00:46:09 **2 sitting in one seat at a time, isn't that right, sir?**
 00:46:12 **3 A. Not really. I know that that sounds like a**
 00:46:15 **4 funny answer, but it isn't. You can have students that**
 00:46:18 **5 have learning disabilities, and they'll have a place in**
 00:46:22 **6 the classroom and you may need additional room for them**
 00:46:27 **7 in the back of the classroom so that as a specialized**
 00:46:32 **8 teacher comes in to work with that child to help**
 00:46:35 **9 reinforce what they were taught in the classroom, that**
 00:46:39 **10 they could take them back and not disturb the other**
 00:46:41 **11 children. You also have resource rooms that the child**
 00:46:44 **12 might be taken from the classroom and go to those**
 00:46:46 **13 resource rooms, and you -- so the idea that you just put**
 00:46:51 **14 a child in one spot and he stays there, I would take**
 00:46:55 **15 exception of that.**
 00:46:56 **16 Q. Do you have any basis or knowledge that schools**
 00:46:59 **17 or school districts -- well, strike that.**
 00:47:12 **18 Are you suggesting, sir, that when schools**
 00:47:21 **19 are designed and planned, that somebody actually sits**
 00:47:23 **20 down and says "We have X percentage of children with**
 00:47:27 **21 special needs so we need X percentage of additional**
 00:47:30 **22 classrooms."**
 00:47:33 **23 A. I don't know if anybody does that or not. It**
 00:47:35 **24 wouldn't really be a bad idea as far as that detailed,**
 00:47:39 **25 but what is in place in one year may not be what's in**

00:47:44 **1 place five years from now, and buildings last that long,**
 00:47:50 **2 but what you would do is you would take into**
 00:47:52 **3 consideration, for instance, if you had children that**
 00:47:55 **4 were so severely handicapped that they had to be kept**
 00:48:00 **5 separate from all the other children and they're in**
 00:48:02 **6 hospital beds, and they're being fed intravenously,**
 00:48:07 **7 well, if you knew you had to build a room for that, you**
 00:48:10 **8 would have a general idea of how many kids you had that**
 00:48:13 **9 might fit in that category so that would determine the**
 00:48:15 **10 number of rooms you had and how big they were. So yes,**
 00:48:19 **11 you would take into consideration those special needs,**
 00:48:22 **12 but I don't know that anybody would go to the point of**
 00:48:25 **13 saying this year we have this. Therefore we're going to**
 00:48:29 **14 build this entire school building based on what we have**
 00:48:32 **15 today, but you definitely would take in consideration**
 00:48:37 **16 learning needs to the extent you had money to do it.**
 00:48:39 **17 Q. In your experience, do schools have children in**
 00:48:49 **18 hospital beds with IVs that are in the basic part of the**
 00:48:52 **19 school?**
 00:48:53 **20 A. We did.**
 00:48:53 **21 Q. Do you know whether that's typical?**
 00:48:58 **22 A. I don't know what you mean by typical. I know**
 00:49:00 **23 it's not untypical. I mean, I know it's not a rarity**
 00:49:04 **24 that somehow we had children like that. I think that**
 00:49:06 **25 that's pretty widespread across Texas.**

00:49:10 **1 Q. All right. In the absence of a facilities**
 00:49:13 **2 study of any kind, you really don't have any evidence**
 00:49:20 **3 that demonstrates the facilities funding should be**
 00:49:23 **4 adjusted based on WADA rather than ADA, do you, sir?**
 00:49:26 **5 A. I think that ADA definitely under states costs.**
 00:49:32 **6 I don't think there's any evidence about -- that would**
 00:49:35 **7 be contrary to a rational assumption that funding by ADA**
 00:49:42 **8 does not reflect the kind of buildings you need to**
 00:49:44 **9 build. You need to take into consideration those**
 00:49:46 **10 learning needs and those are reflected in WADA. The --**
 00:49:50 **11 of course when you're using I&S funding for M&O**
 00:49:55 **12 purposes, then it's totally appropriate to use WADA**
 00:49:58 **13 there without any question, because you're using it in a**
 00:50:01 **14 WADA based system.**
 00:50:02 **15 Q. Well and with respect to using I&S funds for**
 00:50:05 **16 M&O purposes, that testimony you're offering is based on**
 00:50:10 **17 your conversations with a few superintendents, isn't it,**
 00:50:14 **18 sir? You haven't done a study of school districts using**
 00:50:17 **19 I&S funds for M&O purposes, have you?**
 00:50:19 **20 A. Actually, I had not at the time of the**
 00:50:22 **21 deposition, because I was relying on my experience, but**
 00:50:30 **22 since then I took some time and I went on line, and I**
 00:50:36 **23 started checking around and I did three different things**
 00:50:47 **24 and the -- what I found was that whenever you're looking**
 00:50:51 **25 at capital equipment and vehicles, things that I bought**

00:51:15 **1 out of M&O -- that's usually bought out of M&O in most**
 00:51:20 **2 districts, primarily, it's legal to buy on the I&S in**
 00:51:27 **3 all districts, but the I&S funding is so low, that it's**
 00:51:30 **4 even lower than the copper penny funding on the M&O**
 00:51:34 **5 side. So districts that had money on the M&O side**
 00:51:36 **6 wouldn't typically put that in I&S unless their backs**
 00:51:38 **7 were against the wall, they were at \$1.17, or the amount**
 00:51:41 **8 was substantial.**

00:51:42 **9 THE COURT: I need to stop.**

00:51:43 **10 Q. So let me just stop you for a minute --**

00:52:01 **11 MR. GRAY: Excuse me, Your Honor, I'd like**
 00:52:02 **12 for the witness to be able to finish his answer.**

00:52:12 **13 THE COURT: I thought it was finished.**

00:52:13 **14 THE WITNESS: No, sir, I had more to say.**

00:52:16 **15 THE COURT: Oh.**

00:52:16 **16 Q. He was about to give us the results of his post**
 00:52:22 **17 deposition research.**

00:52:26 **18 THE COURT: The question -- well, there**
 00:52:28 **19 were two questions posed, but I think the one that you**
 00:52:30 **20 were attempting to answer was that you haven't done a**
 00:52:32 **21 study of I&S funds for M&O purposes, have you? And I**
 00:52:38 **22 think you were telling us, yes, you had and then we're**
 00:52:42 **23 kind of going beyond the question by telling us what the**
 00:52:47 **24 results of your study are. If that's what Ms. Halpern**
 00:52:50 **25 wants, you can wait until Mr. Gray gets you back.**

00:52:56 **1 Q. Well, let me -- let me go back to the point**
 00:53:02 **2 where we went off line a little bit with our court**
 00:53:07 **3 reporter. It is legal for districts to use I&S funds**
 00:53:12 **4 for capital projects that are longer than two years,**
 00:53:16 **5 isn't it?**

00:53:16 **6 A. As long as what?**

00:53:17 **7 Q. As long as the project is expected to last more**
 00:53:20 **8 than two years and the capital good is supposed to last**
 00:53:23 **9 more than two years?**

00:53:23 **10 A. I think that they're using a standard of more**
 00:53:26 **11 than one year, if something is -- you know, like a bus**
 00:53:29 **12 part or something like that, that lasts more than one**
 00:53:31 **13 year, that you could buy that, band uniforms and so**
 00:53:35 **14 forth, but I -- it's -- it would be legal as far as**
 00:53:40 **15 bonds are concerned. It may be unconstitutional in the**
 00:53:44 **16 sense that this is a supplement to the basic program and**
 00:53:48 **17 it may run amuck with efficiency clause in the**
 00:53:56 **18 constitution, but as far as the bonds are considered,**
 00:53:59 **19 it's perfectly legal.**

00:54:05 **20 Q. At the time of your deposition, you were not**
 00:54:06 **21 able to identify for me more than a couple of districts**
 00:54:09 **22 and that was based on hearsay conversations you had had**
 00:54:12 **23 with some superintendents, is that right?**

00:54:13 **24 A. Yes, but the fact that I couldn't name but**
 00:54:16 **25 five, I think it was or six, I can't remember now,**

00:54:19 **1 wasn't due to that that's all that I knew about. That's**
 00:54:23 **2 all that I could remember there on the spur of the**
 00:54:26 **3 moment, as far as recalling district names.**

00:54:28 **4 Q. Are you suggesting that school districts are**
 00:54:53 **5 using I&S funds for things for which they are not**
 00:54:58 **6 appropriate?**

00:54:59 **7 A. What do you mean by appropriate?**

00:55:01 **8 Q. Well, you seem to be suggesting that their end**
 00:55:04 **9 running the M&O process by using I&S funds in some**
 00:55:09 **10 nefarious way to avoid having to spend maintenance and**
 00:55:14 **11 operation funds.**

00:55:16 **12 A. Well, see, I'm having a problem with the word**
 00:55:20 **13 like nefarious. I think it's above board. I think that**
 00:55:23 **14 they're open with it, but I got quotes here off of**
 00:55:30 **15 websites from districts, and they are very pointed, that**
 00:55:34 **16 they're doing this in order to get around recapture, and**
 00:55:39 **17 they make point after point after point, that they're**
 00:55:44 **18 doing this because it's not recaptured. One district**
 00:55:49 **19 said that they were putting money -- they were putting**
 00:55:52 **20 money into the I&S. They couldn't use that money for**
 00:55:58 **21 teacher salaries, but by putting things like some are**
 00:56:05 **22 maintenance, putting technology, all the different --**
 00:56:07 **23 the busses, the things that you can. I wouldn't call**
 00:56:09 **24 nefarious to do that, but they're putting that on the**
 00:56:13 **25 I&S side and that that money that's not spent then on**

00:56:16 **1 those things could be used in teacher salaries.**

00:56:19 **2 Q. Which district is that?**

00:56:21 **3 A. Beg your pardon.**

00:56:22 **4 Q. Which district was that?**

00:56:23 **5 A. That was Eanes. The other quote that I had --**
 00:56:26 **6 or what I was refer to and there are several that say**
 00:56:29 **7 pretty much the same thing. Let me give you one.**

00:56:35 **8 Here's one by Grapevine Colleyville in answer to a Q&A,**
 00:56:39 **9 is bond money subject to recapture. No, bond money is**
 00:56:44 **10 not subject to Robin Hood. This is the main reason that**
 00:56:47 **11 property wealthy districts put as many items as possible**
 00:56:50 **12 into bond programs so as to keep costs out of the**
 00:56:54 **13 general operating budget. And I've got probably a dozen**
 00:56:58 **14 quotes here. I didn't get them all. I looked at the**
 00:57:02 **15 Calhoun County group, because I didn't want to look at**
 00:57:05 **16 1,021 districts.**

00:57:06 **17 Q. All right. Please tell me the names of the**
 00:57:08 **18 districts that you believe are using I&S funds for M&O**
 00:57:13 **19 purposes.**

00:57:14 **20 A. Well, the 85 districts that we had in our list**
 00:57:17 **21 for Calhoun County, we found 53 that it had references**
 00:57:22 **22 on the Internet or newspaper articles and on their**
 00:57:27 **23 websites. With respect to using I&S for M&O, and as far**
 00:57:32 **24 as the names of the districts that I've written down**
 00:57:34 **25 here on this, just their quotes to make the case, I have**

00:57:39 **1 here Palacios said the reason -- the reason for the bond**
 00:57:49 **2 election to begin with was really to shelter money from**
 00:57:52 **3 Robin Hood. I have Canadian and he said that money**
 00:57:56 **4 would go towards a variety of items such as technology,**
 00:58:00 **5 library books, band instruments, athletic equipment,**
 00:58:04 **6 school busses, improvements and repairs to buildings.**
 00:58:08 **7 The bond election was prompted because the State**
 00:58:12 **8 considers Canadian ISD a property wealthy district, and**
 00:58:16 **9 the district must therefore send about 60 percent of its**
 00:58:19 **10 property tax revenue collected for day-to-day operations**
 00:58:22 **11 to the State. But all of the property tax revenues**
 00:58:26 **12 raised to pay off bonds stays with the district. Here's**
 00:58:30 **13 Tatum. They Title 1 of their categories that they're**
 00:58:33 **14 using their bonds M&O costs to bond funds. And they**
 00:58:38 **15 list technology, transportation, facility maintenance**
 00:58:42 **16 costs, avoiding sending revenue to the state and**
 00:58:47 **17 approximately doubling revenue of the district. Here's**
 00:58:50 **18 Eanes the one that made the other one. It says that on**
 00:58:53 **19 the bond side that for every \$1 received, Eanes keeps**
 00:58:56 **20 100 percent bond money cannot be used for teacher**
 00:58:59 **21 salaries, however bond money can be used to pay for**
 00:59:02 **22 certain capital expenses that might otherwise be funded**
 00:59:05 **23 from M&O money so that more funds are available for**
 00:59:08 **24 salaries. Bond money is used for capital repairs,**
 00:59:12 **25 busses, technology. Here's -- here's another one. Let**

00:59:19 **1 me see if I can -- this has to do with Austin ISD, I**
 00:59:28 **2 believe. No this is -- this also is Eanes, and they say**
 00:59:31 **3 that this money is going to heating and cooling units,**
 00:59:35 **4 busses and more. Eight million for technology upgrades,**
 00:59:38 **5 more than nine million we spent on transforming**
 00:59:42 **6 classrooms to buying new furniture, desks with wheels.**
 00:59:46 **7 Core working schools, cushion seats and repaint walls**
 00:59:55 **8 orange and green.**
 00:59:56 **9 Q. All right. Let me stop you there. Are those**
 00:59:58 **10 things capital improvements for the life expectancy of**
 01:00:02 **11 more than two years?**
 01:00:03 **12 A. I would -- yes. Never -- I'm not at all**
 01:00:06 **13 saying that these are not legal to be done. I'm just**
 01:00:11 **14 talking about the impact as with respect to the equity.**
 01:00:15 **15 The inequity that it causes, because these can be done**
 01:00:20 **16 at the very beginning. They're not enrichment that goes**
 01:00:23 **17 on the top after you've used all of your M&O. They go**
 01:00:28 **18 in to the first tier. You can adopt your compressed tax**
 01:00:31 **19 rate, never got beyond Tier 1 funding and then you can**
 01:00:35 **20 supplement -- or maybe add the golden pennies, which are**
 01:00:38 **21 not recapture. And then instead of going into the**
 01:00:42 **22 copper pennies, you go into more golden pennies on I&S**
 01:00:45 **23 side, and I'm not saying that it's illegal, I'm not**
 01:00:48 **24 saying that it's immoral. I'm saying that it impacts**
 01:00:51 **25 the inequity that's prevalent within the state.**

01:00:56 **1 Q. Have you done a study that would document or**
 01:00:58 **2 measure the amount of inequity that might or might not**
 01:01:01 **3 be caused by what these school districts are doing?**
 01:01:04 **4 A. Actually, I did. And I went to -- in 2012 I**
 01:01:13 **5 looked at the --**
 01:01:13 **6 THE COURT: Once again, demonstrating why**
 01:01:16 **7 one never asks an open-ended question to an expert.**
 01:01:21 **8 MS. HALPERN: Indeed.**
 01:01:21 **9 THE WITNESS: The interest and sinking in**
 01:01:27 **10 2012, the capital equipment on a per WADA basis and the**
 01:01:29 **11 vehicles per WADA for the bottom 10 percent, the bottom**
 01:01:33 **12 102 districts was \$3. On the top 102 districts, they**
 01:01:39 **13 spent \$128 per WADA for capital equipment, and for**
 01:01:43 **14 vehicles they spent \$35 for a total of \$163 just in**
 01:01:48 **15 that -- in that year.**
 01:01:50 **16 Q. Sir, I'm not sure you're answering my question.**
 01:01:53 **17 My question was specifically have you done a study of**
 01:01:55 **18 dollars diverted into I&S funds that you believe should**
 01:02:02 **19 have been M&O funds? I'm not asking in general whether**
 01:02:10 **20 or not wealthier districts spend more I&S than lower**
 01:02:12 **21 wealth districts?**
 01:02:13 **22 A. No, and I'm talking about I&S for M&O purposes.**
 01:02:17 **23 These are numbers, I&S for M&O purposes, but I think**
 01:02:17 **24 that we might be missing each other on some point. I am**
 01:02:24 **25 not saying that what these districts are doing is**

01:02:29 **1 illegal, or inappropriate for the -- concerning what the**
 01:02:34 **2 law is. What I'm saying is this is a way to skirt**
 01:02:38 **3 recapture and it adds more inefficiency to the M&O side.**
 01:02:44 **4 I&S and M&O are not separated like they used to be where**
 01:02:47 **5 you just thought about them in two different things.**
 01:02:51 **6 They're intermingled now. They're like one unit and**
 01:02:55 **7 these numbers I was giving you is capital equipment.**
 01:02:58 **8 These are the items that have -- and I think they're use**
 01:03:01 **9 one or more year now instead of two. It may should be**
 01:03:04 **10 two, but I think that what I'm hearing, they're using**
 01:03:07 **11 one year life expectancy of more than one year vehicles**
 01:03:10 **12 and this doesn't include things like band uniforms, band**
 01:03:16 **13 instruments and computers that would -- anything that**
 01:03:18 **14 would be under \$5,000 and the total I got in 2012 was**
 01:03:22 **15 \$163 per WADA for the top 102 districts. The wealthiest**
 01:03:31 **16 102 districts in the state.**
 01:03:32 **17 Q. Is that -- let me stop you there.**
 01:03:37 **18 THE COURT: Why don't we take about a**
 01:03:41 **19 ten-minute break. So we'll be in recess for ten**
 01:03:47 **20 minutes.**
 01:12:51 **21 (Recess taken)**
 01:12:51 **22 THE COURT: Ms. Halpern, do we got all our**
 01:12:54 **23 papers, or do you need additional time.**
 01:12:57 **24 MS. HALPERN: No, the telephone survey**
 01:13:01 **25 that we've been told about has now been circulated.**

06:32:11 **1 and I think that when you take certain districts and you**
 06:32:14 **2 look on their website to see what they're saying and**
 06:32:18 **3 looking at what they're telling the people that they're**
 06:32:22 **4 having bond issues for and noting what those things that**
 06:32:26 **5 they're going to spend the money on are for, I don't see**
 06:32:30 **6 what the objection of that -- how that would be any less**
 06:32:33 **7 than if I wrote them and they wrote down what they put**
 06:32:35 **8 on their website. So I consider it to be systematic,**
 06:32:40 **9 within -- within -- I will say this. Within those 85**
 06:32:43 **10 districts that we looked at.**
 06:32:46 **11 Q.** Dr. Pierce, let's look down at the bottom of
 06:32:48 **12 Page 201. Do you see my question here asking you quote,**
 06:32:55 **13 using your language, you don't have a reliable answer to**
 06:32:59 **14 know exactly how many districts in the state do this or**
 06:33:02 **15 engage in this practice you're describing. If you'll go**
 06:33:07 **16 to the next page. Answer, I do not have a number of**
 06:33:12 **17 districts that I could point out and say that is the**
 06:33:14 **18 number and no, sir, I do not. Do you recall that**
 06:33:17 **19 testimony?**
 06:33:19 **20 A. Yes, and that's the reason why I did this**
 06:33:21 **21 study.**
 06:33:23 **22 Q.** Now, you came here today for this trial,
 06:33:27 **23 prepared to express your views about how the Calhoun**
 06:33:31 **24 County plaintiffs use I&S revenues for M&O purposes; is**
 06:33:34 **25 that right?**

06:33:35 **1 A. I answered that in response to a question. I**
 06:33:41 **2 was prepared to answer it, though, because y'all asked**
 06:33:44 **3 that question at that time. So I expected that you --**
 06:33:47 **4 that someone would ask it, and I was prepared to answer**
 06:33:50 **5 it, yes, sir. But I did not come here to present it. I**
 06:33:56 **6 came here to answer questions.**
 06:33:57 **7 Q.** In fact, you brought a stack of papers with you
 06:33:59 **8 today that you were prepared to read to the Court,**
 06:34:04 **9 including excerpts from districts' websites, correct?**
 06:34:08 **10 A. I brought two pages.**
 06:34:09 **11 Q.** And you did not include those pages in your
 06:34:14 **12 expert report, did you?**
 06:34:15 **13 A. I didn't do them until you made such an issue**
 06:34:18 **14 that I could not back it up with numbers. That's the**
 06:34:21 **15 reason why I did it.**
 06:34:22 **16 Q.** You didn't disclose that information in your
 06:34:25 **17 deposition either, did you?**
 06:34:26 **18 A. I hadn't done it at the time of my deposition.**
 06:34:30 **19 I did it in response to the questions that were asked at**
 06:34:34 **20 the deposition.**
 06:34:35 **21 Q.** Now, you supplemented your expert report to
 06:34:38 **22 provide information about WADA counts for 2014-15,**
 06:34:42 **23 correct?**
 06:34:42 **24 A. Yes, I corrected an error.**
 06:34:45 **25 Q.** But you did not supplement your expert report

06:34:47 **1 to provide any of the analysis you talked about this**
 06:34:49 **2 morning, did you?**
 06:34:52 **3 A. No, I did not put it in my report.**
 06:34:54 **4 Q.** So no one, including the Calhoun County
 06:34:58 **5 plaintiffs had ever had an opportunity to see what**
 06:35:02 **6 systematic analysis you had done or anything else that**
 06:35:05 **7 you had done to address whether or not districts used**
 06:35:08 **8 I&S revenues for M&O purposes, would you agree?**
 06:35:12 **9 A. No, I think that what you're asking me is that**
 06:35:15 **10 the Calhoun County plaintiffs don't know what they're**
 06:35:21 **11 doing and I would --**
 06:35:22 **12 Q.** My question respectfully was no one had an
 06:35:26 **13 opportunity to evaluate what you did to prepare for your**
 06:35:30 **14 testimony today, is that correct?**
 06:35:31 **15 A. There's -- all right. I answered a question**
 06:35:41 **16 that I was not --**
 06:35:42 **17 Q.** The question I asked was --
 06:35:50 **18 THE COURT: Excuse me. I need y'all in**
 06:35:51 **19 the corner.**
 06:36:43 **20 (Discussion off the record in the corner)**
 06:37:20 **21 Q.** (BY MR. SKIDMORE) Dr. Pierce, you are not
 06:37:25 **22 advocating that I&S funds be recaptured, are you?**
 06:37:27 **23 A. I haven't had any position on that. There are**
 06:37:30 **24 some problems in that, and that's one possible solution**
 06:37:36 **25 to it, but there are probably other solutions as well**

06:37:39 **1 and I really don't have any solution that I'm advocating**
 06:37:45 **2 at this time.**
 06:37:45 **3 Q.** And that would include recapturing I&S funds?
 06:37:48 **4 A. Yes.**
 06:37:48 **5 Q.** I want to move on to a different topic. During
 06:37:53 **6 your testimony in 2012, you made comparisons between the**
 06:37:57 **7 revenue gaps among districts in 2012 with those in 2006.**
 06:38:04 **8 Do you recall that testimony?**
 06:38:05 **9 A. Yes.**
 06:38:06 **10 Q.** Now, you've not made any comparisons at this
 06:38:10 **11 trial with the 2006 period, have you?**
 06:38:13 **12 A. No.**
 06:38:13 **13 Q.** Nor have you made any comparisons at all with
 06:38:17 **14 any prior period including the last time the Court**
 06:38:21 **15 analyzed these issues, and by that, I mean the Texas**
 06:38:24 **16 Supreme Court?**
 06:38:24 **17 A. No, I was instructed to look at the impact of**
 06:38:28 **18 the 83rd Legislature. So I looked at the year before**
 06:38:30 **19 and the year -- two years after.**
 06:38:32 **20 Q.** Now, in your prior analysis in 2012, you did
 06:38:38 **21 some comparisons of individual districts; is that right?**
 06:38:41 **22 A. In -- are you talking about looking at one**
 06:38:49 **23 district and saying what their revenue and tax rate was?**
 06:38:53 **24 Q.** Yes.
 06:38:54 **25 A. Yes.**

Exhibit "D"

2/4/2014 1:53:40 PM

Amalia Rodriguez-Mendoza

District Clerk

Travis County

D-1-GN-11-003130

Ex. D.txt

3 that, do you need to do any averaging, weighted or
4 traditional or anything at all /(?

5 A. No, it's just a reflection of that district --
6 or those two district's funding levels.

7 Q. And when you look at the exhibit of Calhoun
8 County slide 17 dealing with two districts in liberty
9 county, in your opinion, is there any justification
10 for, as a school finance expert, for one district
11 taxing 13 cents higher and receiving 1,724, dollars
12 less?

13 A. No.

14 Q. And these are two districts in the same small
15 East Texas county, correct?

16 A. Yes.

17 Q. /C and what is highlighted by the Calhoun
18 County plaintiffs is the year, 2014, showing what is on
19 the ground today as we sit there, correct?

20 A. Yes.

21 Q.

22 MR. GRAY: Mr. Gray, will you go to slide
23 22?

24 Q. Now, if I ask you the same about two districts
25 in West Texas county of dickens, Patton Springs taxing

0014 1 at 13 cents more than spur and yet receiving \$600 less,
2 in your opinion as a school finance expert, two
3 counties -- two districts side by side in the same
4 county, is there any justification for that? /(?

5 A. No, that's going to be over \$20,000 difference
6 per classroom.

7 MR. GRAY: Mr. Gray, next go to slide 25
8 from Calhoun County, please.

9 Q. Likewise, no one Nolan county a Panhandle
10 county, I believe, small one district taxing at 12
11 cents more than the other, but receiving \$1,230 less
12 than the other. Any justification in that as a school
13 finance expert, without taking -- without bothering to
14 do averaging or anything, just looking at the face of
15 what's happening on the ground?

16 A. No, and especially with the low funded
17 district taxing 12 cent higher to get -- and still be
18 \$1230 below.

19 Q. Now let's go to far west Texas, wing her
20 county and?

21 MR. GRAY: Mr. Gray, go to slide 23.

22 Q. When you got ^ [CORRECTION!] two districts
23 side by side in West Texas, wing her county, taxing at
24 exactly the same ^ [CORRECTION!] but one is receiving
25 \$6,000 more per WADA today in 2014, can you justify

0015 1 that in any form or fashion as a school finance expert?

2 A. No.

3 Q. And this is not based upon looking at averages
4 or anything else, this is just based upon what's
5 actually happening to two districts side by side in
6 wing her county, correct ^ [CORRECTION!]
7 /STKPHR-FRPBLGTS we used to have an objection that we
8 called bolstering.

9 MR. GRAY: I will move, on Your Honor.

10 THE COURT: Thanks.

11 Q. Next, Doctor, you were asked by Mr. Kidd more
12 in the conclusion of his questioning ^ [CORRECTION!] if
13 you supported additional recapture, either of -- I

14 believe it was M&O and I&S. Are you here advocating
15 any particular remedy to the inequities in the system?
16 A. We -- not as part of this testimony that we
17 did not come up with any particular recommendations to
18 fix the problems. There's more of an identification of
19 a problem.
20 Q. And is recapture of I&S funds an additional
21 and additional recapture of M&O funds one possible
22 solution to solve some of the equity problems ^
23 [CORRECTION!]?
24 A. Yes, and it's probably one of the simplest
25 ways to do it.

0016

1 Q. Lastly, Doctor, in questioning from Calhoun
2 County, you were -- I think it's safe to say, fairly
3 aggressively questioned by them, and my question to you
4 is --
5 THE COURT: Can you rephrase?
6 MR. GRAY:
7 Q. My question, Doctor, is a system of school
8 finance that is structured in such a way that a wealthy
9 set of districts feels they need to fight the others to
10 keep the advantage they have, in your opinion is that
11 a school system structured to provide an adequate
12 education for all 5 million kids in the state?
13 A. No, it is not.
14 MR. GRAY: Thank you, sir. I have no
15 further questions, Your Honor.
16 THE COURT: Ms. Halpern, I think you were
17 next.
18 MS. HALPERN: I think I am.
19 MS. HALPERN: Your Honor the first thing I
20 have is sort of a housekeeping matter. I used this
21 exhibit 11460 as a demonstrative on Thursday, and I
22 think when we gave the litany of exhibits that were in
23 or that were demonstratives, this one got left off. So
24 Exhibit 11460 was the compilation of three prior
25 plaintiffs' exhibits, Exhibit 3 '01 oh, Exhibit 3 three

0017

1 5/6, and Exhibit 3404 and I just want to make sure that
2 the record reflects that --
3 THE COURT: And how do you want it
4 admitted, Ms. Halpern?
5 MS. HALPERN: We'd like it admitted
6 because it's a summary of three prior exhibits of
7 plaintiffs, just pasted side by side.
8 THE COURT: Did you want it admitted as a
9 demonstrative exhibit?
10 MS. HALPERN: I'd like to offer it as an
11 actual exhibit.
12 THE COURT: So why would I put a summary
13 of three prior exhibits that are already in evidence
14 into evidence?
15 MS. HALPERN: Just for the convenience of
16 whoever reviews it.
17 THE COURT: Yeah, that's kind of tough
18 when you -- we're at 20,000 plus exhibits and over a
19 million pages to start saying that this is for their
20 convenience. You may have it as a demonstrative
21 exhibit. Thank you.
22 MS. HALPERN: Thank you. /(.
23 Q. Dr. Pierce, I think I only counted 27 charts
24 that arrived last night at 7:00 p.m.. Looks --

Exhibit "E"

2/4/2014 1:53:40 PM

Amalia Rodriguez-Mendoza
District Clerk
Travis County
D-1-GN-11-003130

Supplemental Expert Report

Dr. Wayne Pierce

October 21, 2013

Introduction

Following the district court decision in early February 2013 in the *Texas Taxpayer & Student Fairness Coalition* litigation, the legislature made several changes through appropriations that would affect the equity and adequacy calculations that were used in the initial October 2012 litigation (October trial). It is the purpose of this supplement to my original report to reassess the efficiency of the state funding system in light of those changes.

I am not charging for my services in preparing this report or for offering testimony; my compensation comes from the Equity Center, where I serve as Executive Director. The only deposition or trial testimony I have provided in the past seven years occurred during the October trial in this case.

I have not kept up with papers and articles that I have either collaborated on or written by myself and I am unable to create a list. I routinely work with other Equity Center staff to write articles for Equity Center publications: News and Notes; its successor-publication, InDepth (published quarterly since January 2010); and the EC Xpress, a school finance related one-pager that is emailed weekly to superintendents and chief financial officers of member districts. In addition, I have collaborated from time to time on papers explaining school finance issues and legislation for member districts, authored a guest opinion in the Fort Worth Star-Telegram about 2005 and an article entitled A Brief Guide to School Finance Litigation for the summer 2012 edition of the ATPE News for the Association of Texas Professional Educators.

The Legislative Budget Board (LBB) released a report on May 17, 2013 during the 83rd Legislative Session (Fil04 Model 115 Summary) that compared the weighted average gains for districts in FY 14 and FY 15. The changes in Total M&O Revenue were determined by comparing district revenue for each of the years after changes were made to the Basic Allotment (BA), Equalized Wealth Level (EWL), Regular Program Adjustment Factor (RPAF),

and Target Revenue Adjustment Factor (TRAF). For example, gaps were determined by comparing revenue projections for FY 14 (with changes) to FY 14 (without any changes).

According to the report, the LBB projected that the least wealthy districts with wealth under \$100,000 per WADA, on average, would receive an additional \$267 per WADA in FY 14, while the districts "subject to current law recapture" (above \$476,500 per WADA) were projected to receive an additional \$125 per WADA in FY 14. In FY 15, the least wealthy group would receive, on average, an additional \$359 per WADA, while the districts with the highest wealth levels would receive an average increase of \$138 per WADA. Thus, the LBB projections suggested the M&O gap will close by a weighted average of \$142 per WADA in FY 14 and \$221 per WADA in FY 15, compared to what would have been the case had the funding parameters not changed.

While these small steps are in the right direction, the amount of gap closure is very small compared to the gaps that were identified in the October trial and affirmed by the Court in its February 2013 ruling.

Further, neither of these situations takes into consideration the continued growth in the I&S revenue gap. Because of the growth of unrecaptured wealth and the failure to fund Instructional Facilities Allotment (IFA) projects for the current biennium, the LBB analysis fails to fully describe the overall gap-closing impact of the changes made in the last session, and, in fact, overstates the amount of gap closing.

Additionally, in FY 13 the districts with the highest wealth levels (above \$476,500) adopted M&O tax rates that were about 8 cents less than the districts with the lowest wealth levels (below \$100,000). One penny of I&S tax rate raises about \$120 per WADA for districts with the highest wealth levels.

Therefore, with a little over one penny of I&S tax, the districts with the highest wealth levels can, in effect, reopen the \$142 closing of the gap (according to the LBB projections) by using short term bonds (I&S) to pay for capital expenditures (e.g., technology, HVACs), which otherwise would be paid out of M&O. It would take less than 2 cents of additional I&S tax rate to reopen the gap the LBB calculations suggest to have been closed in FY 15 over current law.

This report is based on Near Final data for the 2012-13 school year provided by the Texas Education Agency (TEA) with an "as of" date of September 30, 2013. Due to the limited time between receipt of the data files late on October 3rd and the October 21st due date for my report, the time available (18 days) to check for possible errors in the base data, handle and analyze the data, and write this report was minimal. Therefore, I reserve the right to amend this report if at a later date errors are found and/or corrected data become available.

Actions of the 83rd Legislature

Every action the legislature takes with respect to public education can potentially affect the adequacy and equity of the funding system, even when funding formulas, weights, hold-harmlesses, and other funding elements are not changed. It is not, however, the intent of this paper to exhaustively address every possible impact.

The 83rd Legislature made four major changes that are the focus of this report. These changes were made through the appropriations process and, although likely to be reflected in the LBB's base budget for the 2015 session, all but one are technically applicable only to the current biennium. Unless these changes are incorporated into the 2015-2017 biennium's budget *via* the appropriations process or adopted into statute, the 2010-11 funding levels currently in statute will return.

These four changes are listed below:

1. The BA was increased from the \$4,765 level in place since the 2009 legislative session and funded at \$4,950 for FY 14.¹ This \$185 (3.9%) increase from FY 13 to FY 14 averages to a little less than 1% a year over the past five years. The BA is scheduled to be funded an additional \$90 (1.8%) to \$5,040 for FY 15. This second increase brings the average annual increase to about 1.15% over the six years since the \$4,765 BA was first adopted in 2009.
2. The Tier 1 EWL was increased from the FY 13 level of \$476,500 to \$495,000 for FY 14 and to \$504,000 for FY 15. The Tier 1

¹ The BA is not uniformly applied to all districts. It is applied proportionately to districts with Compressed Tax Rates (CTRs) below \$1.00. Thus, the BA for a district with a \$0.90 CTR will be 90% of the regular BA that is applied to the majority of districts. Nor, it should be noted, is it uniformly applied with respect to the 1993 Wealth Hold-Harmless.

EWL mirrors the BA, with \$476,500 corresponding to \$4,765, and so forth. The same percentage increases apply. Thus, the level at which recapture occurs in Tier 1 formula funding increases correspondingly with the improvement in the BA (i.e., reducing recapture).

3. The RPAF was set, by appropriation, at 1.00 for both years of the current biennium. Since the RPAF is already scheduled to be repealed in statute at the end of this biennium, this change, albeit not written into statute, effectively eliminates cuts to the Regular Program Allotment from FY 13 forward, unless future legislative action reinstates it.
4. The TRAF, set at 0.9235 for FY 13, was increased to 0.9263 for FY 14 and FY 15 in conference committee despite both houses having passed reductions in the factor in keeping with previously stated legislative intent.

No changes were made to Tier 1 district formulas or weights for Tier 1 categorical funding.

The guaranteed level (GL) for the six Tier 2 golden pennies² was determined by statute, which was already in place prior to the 2013 legislative session. It remains unchanged at \$59.97 in FY 14 and will increase to \$61.36 in FY 15, which will be the first increase since the 2010-11 school year. This 3.15% increase over the last five years averages about 0.8% on an annualized basis. Districts may adopt up to six golden pennies.

There is no recapture for property wealthy districts (above the Austin ISD funding level). Changes to the golden penny funding levels for these districts will depend on changes in their wealth levels.

These changes in wealth levels will, of course, vary among districts. The State has, however, estimated about a 9% increase in statewide taxable values over the same two-year period.³ To the extent this increase applies to districts above the Austin

² Golden pennies are M&O Tier 2 enrichment pennies, equalized to the Austin ISD (AISD) funding level. They are not recaptured, thus providing higher funding levels for districts with wealth levels above the GL. In FY 13, the return for six golden pennies for districts above the AISD funding level ranged between \$360 per WADA to more than \$3,000 per WADA, depending on the degree of property wealth.

³ The State has projected a 4.77% increase in taxable values for FY 14 and a 4.03% increase for FY 15. These estimated increases in taxable values compound to a calculated increase of 8.99% over the two-year period.

ISD level, their increase in golden penny revenue will be about 2.9 times greater than the increase for other districts, and their increase (the first 4.77% of it) will start in FY 14.

The Tier 2 copper pennies⁴ remain at the same \$31.95 GL and \$319,500 EWL originally put in place over seven years ago for the 2006-07 school year. By FY 15, the funding level for copper pennies will have remained unchanged for nine years.

The GL for the Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA) will continue at the same \$35 per ADA level adopted 14 years ago in the 1999 Legislative session, in spite of increased costs. Even this limited, insufficient \$35 equalization level will apply only to projects existing before the current biennium. It will not apply to I&S pennies of tax rate for new facilities projects or other debt service (including I&S for M&O) in either FY 14 or FY 15, as explained below.

"Under the radar" spending cuts were continued into this biennium by "zero-funding" some funding elements even though they technically remain in statute. These include zero-funding new IFA projects, for example, for the second biennium in a row.

Unlike the EDA, the IFA is unique in that it provides state equalization funding in the first year a bond payment is made by districts awarded⁵ an IFA grant. In contrast, new bond payments are not eligible for state equalization funding under the EDA funding program in the biennium in which the bond payments first occur.

Thus, by zero-funding new IFA projects, the Legislature has effectively eliminated state equalization funding for any pennies of I&S tax rate levied to pay for new bonded debt. With rare exception⁶ each district levying new pennies of I&S tax rate will receive only what is locally raised.

⁴ Copper pennies are M&O Tier 2 enrichment pennies. They are referred to as copper pennies due to their lower GL and the fact that an EWL applies to these pennies.

⁵ IFA grants are awarded based on the amount appropriated in a given year, the wealth (on an ADA basis) ranking of districts making application in that year, the amounts of the projects for which applications are made, and other factors that may change district ranking.

⁶ For example, when one bond is paid off in the base year before new bond payments begin in the current biennium.

As a result, the return for one penny of new I&S tax effort will differ among the 1021 regular school districts greatly. The local revenue accessible with one penny of I&S tax rate will range from about \$2.00 per WADA to several hundred dollars per WADA. Without any state funding, this will become the funding "system" for new I&S projects this biennium.

It should be noted this is also the funding system when unrecaptured and unequalized I&S revenue is used to pay for M&O capital expenditures.

Data Source

The legislative changes that are the focus of this paper will not take effect until FY 14, and a further BA increase will not take effect until FY 15. However, no reliable data will be available for either FY 14 or FY 15 by the time the evidence is reopened on January 21, 2014. Thus, the analyses in this paper will utilize FY 13 data (including FY 13 adopted tax rates) with FY 14 and, subsequently, FY 15 parameters for BA, EWL, RPAF, TRAF, and the golden penny GL.

The rationale for this decision follows:

- FY 13 data were near final in September 2013, making it the most-recent district-level data available that can reasonably be considered reliable.
- FY 14 and FY 15 data are based almost entirely on very preliminary estimates. TEA will have better district-level estimates when PEIMS data has been submitted, but the updated data has customarily not been available until March of the following year.
- Even then, the updated projections are only preliminary estimates. Looking forward, TEA has always been careful to advise districts, "Estimates of state aid earned can be significantly impacted by factors not known to the State Funding Division."⁷ (There's a reason for settle-ups.)
- FY 14 tax collections cannot be known before they are collected. They are at this point merely estimates, including the application of a single statewide percentage of growth in

⁷ Dr. Amanda Brownson, Director of State Funding, in a June 24, 2013 letter to school administrators regarding 2013-2014 Preliminary Summary of Finances.

collections to every district.⁸ Thus, every district's FY 14 collections are estimated based on a 4.77% increase in FY 13 tax collections (as reported by school districts through the PEIMS budget data), regardless of how fast (and whether) a district's value has been changing.

- FY 14 M&O and I&S tax rates for all districts are unknown until the Comptroller has obtained them through self-reports. If past practice is an indicator, these rates will not be made available until after the January 2014 reopening of the evidence will have taken place. Plus, a complete record of tax rates for the 2013-14 school year cannot be available in a timely manner because some districts will not set I&S or M&O tax rates until after the November election date on which many Tax Ratification Elections (TRES) and bond referendum elections are held. FY 15 tax rates will not be known for another year past then.
- FY 14 and FY 15 weighted students in average daily attendance (WADA) are unknown.

Therefore, unless otherwise noted, the analyses and conclusions in this paper will be based on FY 14 and FY 15 parameters applied to FY 13 data. These will be denoted as FY 14(13) and FY 15(13).

However, this approach is not perfect. It will most likely understate the gaps between property poor and property wealthy districts because typically, year-to-year increases in taxable value, which are not captured when only FY 13 values are used, will result in a wider funding gap between property wealthy and property poor districts. This is due, mostly, to six unrecaptured golden pennies in Tier 2 and fifty unrecaptured pennies of I&S tax rate,⁹ used for both facilities and capital expenditures, including those that are typically M&O.

Methodology

⁸ "To estimate the maintenance and operations (M&O) tax collection amounts that appear in both the Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) columns, we used the current 2012-2013 DPE tax collections (tax collections reported by your school district through the PEIMS budget data) increased by 4.77 percent. This was the growth factor used in the appropriations process for the current biennium."— Dr. Amanda Brownson, Director of State Funding, in a June 24, 2013 letter to school administrators regarding 2013-2014 Preliminary Summary of Finances.

⁹ I&S collections are never recaptured, regardless of their use.

In the original report, the 1,024 regular school districts in existence in 2011-12 were used for those comparisons. Due to consolidations, that number has dropped to 1,021 districts in FY 13. Those are the only districts that will be considered in this report. This report does not include charter schools or the five special independent school districts (e.g., military bases).

The methodologies used for exhibits in the October trial were also used in this report.

1. September 30, 2013 near final data for the 2012-13 school year was obtained from TEA and was used to create district-by-district reports, shown in Addendum I. Each field of data for each district is identified by the column title.
2. An Equity Center SAS program was used to derive data not received from TEA. This includes finding revenue at given tax rates (e.g., \$1.17). The September 30, 2013 data received from TEA was used to run this SAS program.
3. Once the district-by-district reports were constructed, the districts were sorted in several ways from lowest to highest:
 - a. District wealth
 - b. Yields at the CTR, M&O ATR, I&S ATR, and total tax rates (M&O + I&S)
 - c. Revenue per WADA at the CTR and maximum tax rates (\$1.17 for M&O, \$0.50 for I&S, and \$1.67 for the total tax rate)¹⁰
4. For each of these sorted reports, districts were then grouped two ways:
 - a. Number of Districts
 - b. Number of WADA
5. In the groupings referred to in 4a, 10 groups of lower funded districts were identified and their data fields

¹⁰ There are instances in which the maximum rates can exceed these levels, but those are rare exceptions to the rule. TEA data show that no district exceeded the \$1.17 for FY 13 and the Comptroller of Public Accounts I&S tax rate data show that only 6 exceeded the \$0.50 I&S rate for FY 13.

averaged¹¹ with 5% of districts to 50% of districts in each group, in multiples of 5%.

6. Ten groups of higher funded districts were identified and data fields averaged with 5% of districts to 50% of districts in each group, in multiples of 5%.
7. Each of the 10 bottom groups (e.g. bottom 153 districts for the 15% group) was compared with the corresponding group of highest funded districts (e.g. with the top 153 districts for the 15% grouping).
8. This procedure is repeated with 5% (on up to 50%) of WADA used to group districts for the groupings described in 4(b).

Tables in the same format as the October trial data are included in the included Excel files. Due to the lack of time, not all of the October trial exhibits have been reconstructed with new data.

Supporting Data

Separate Excel folders are also part of this report, one each containing tables for FY 13, FY 14(13), and FY 15(13). Each of the separate Excel folders contains several files, each with a series of tables that will be used as exhibits during the January reopening of the evidence.

In some cases, for ease in following this narrative, a select number of tables are included in the body of this report. This is not intended to lessen the importance of tables or data that are not directly referenced.

District-by-district data used in the creation of the tables precede each set of tables. The districts within this preceding data are in the order required by the sort/group for a particular series of tables. The sort variable is entered in cell A1; the group variable, in cell B1; the data fiscal year, in cell C1; and the parameter fiscal year, in cell D1. This descriptive information is linked to each table.

¹¹ The traditional average, or mean, is the statistical norm of a set of values. It is the sum of the values of a set of data, divided by the number of individual values. In some instances, such as the groups' WADA counts, totals, not averages, are shown and are easily recognized.

The formulas/calculations from which the tables are drawn are found at the top of each district-by-district report in rows 1 - 32. The tables in subsequent worksheets (tabs) are linked to the appropriate cells from these rows of calculations.

These district-by-district reports are also provided in a separate Excel folder in county-district number order. In all there are 3 such reports, including FY 13, FY 14(13), and FY 15(13).

In the October trial, a series of exhibits were presented that showed M&O tax rates necessary to achieve a \$6,576 per WADA funding level. This level was presented by Dr. Bruce Baker during the October trial. For districts that could not raise that amount within the \$1.17 maximum M&O tax rate, I assumed any additional pennies above \$1.17 would be funded at the copper penny GL of \$31.95 and the copper penny LWL of \$319,500, as a conservative measure.

The same analysis is updated in this report for FY 13, FY 14(13), and FY 15(13), plus similar analyses for two other funding levels, as well: \$6,176 per WADA and \$6,562 per WADA, presented in the October trial by Dr. Allan Odden, and Mr. Lynn Moak, respectively.

I did not participate in the derivation of these three funding levels and do not draw any conclusions as to whether any of these funding levels represent the level required for the constitutionally-required general diffusion of knowledge (GDK).

The tables included in the Excel files individually and collectively illustrate the great extent of the inequity that existed in the Texas school finance system in FY 13, and continues to exist even after the actions of the 83rd Legislature.

Tier 1 Inequity

In Edgewood IV, the Supreme Court held that an efficient system requires similar revenue for similar tax effort, at the very least until a GDK is provided. After that, some degree of inequity may be allowed, but "cannot become so great that it, in

effect, destroys the efficiency of the entire system."¹² Regardless of differences in opinion as to what limits might apply to inequities above the GDK, it is quite clear that state and local funding within the GDK provision must be equitable. It is also clear from evidence presented in the October trial and affirmed by the February 2013 ruling that Tier 1 funding fails to provide for a GDK. Tier 1 must provide similar revenue for similar tax effort.

The following analysis assumes that all districts' M&O tax rates are the same as their CTRs, since that rate is necessary to fully access funding available for Tier 1. The revenue accessible at this level of tax effort includes the Tier 1 allotments and other funds (e.g., Staff Allotment, Chapter 313 Allotment, Supplemental TIF Allotment, and, of course, Additional State Aid for Tax Reduction (ASATR)). In short, the revenue calculations answer this question: If all districts were to adopt their CTRs as their M&O tax rates, what funding would they receive?

Somewhat Similar Effort, Hugely Dissimilar Yield

By the time the legislature finally responded to the *West Orange-Cove II* decision, districts were already at, or very close to, the \$1.50 maximum M&O tax rate. It is not surprising that the clustering around the \$1.50 rate is even more pronounced when rates are reduced by one-third (reducing the differences by the same margin, although percentage differences remained the same).

However, there were some marked individual exceptions, primarily among very high funded districts resulting in a lower average CTR among the high groups. Thus, although CTRs are somewhat similar, there is still a significant average advantage for higher funded districts.

¹² "As long as efficiency is maintained, it is not unconstitutional for districts to supplement their programs with local funds, even if such funds are unmatched by state dollars and even if such funds are not subject to statewide recapture. We caution, however, that the amount of "supplementation" in the system cannot become so great that it, in effect, destroys the efficiency of the entire system. The danger is that what the Legislature today considers to be "supplementation" may tomorrow become necessary to satisfy the constitutional mandate for a general diffusion of knowledge." *Edgewood Indep. Sch. Dist. v. Meno*, 917 S.W.2d 717, 732 (Tex. 1995)

The question then becomes whether districts had similar revenue as a result of that similar CTR effort. First, even after the changes made by the 83rd Legislature, the range of Tier 1 yields¹³ (revenue per penny per WADA) vary by several hundred percent from bottom to top. Tables 14.CTR.01, 14.CTR.03 and 14.CTR.05 add more to the answer to that question. Three additional tables in which the data were grouped by percentage of WADA are in the Excel files (Tables 14.CTR.02, 14.CTR.04, and 14.CTR.06). Two additional tables draw from data in which districts were sorted by revenue per WADA at their CTRs. Districts were then grouped in the customary way by percentages of district (Table 14.CTR.07) and by percentages of WADA (Table 14.CTR.08).

All eight tables demonstrate massive inequities.

For example, Table 14.CTR.01 is drawn from FY 14(13) data which is sorted by each district's yield at its CTR. The data in this table show that the 153 districts (15% of 1021) with the lowest yields at their CTRs averaged \$50.80 per penny of CTR per WADA while the 153 districts with the highest yields averaged \$79.50, which is 57% higher. Hardly similar.

The funding disparity is much greater in the top/bottom 5% of districts comparison where the average yield *advantage* for the top group is larger than the bottom group's actual yield itself.

That dissimilarity trend is consistent in each of the 10 comparisons shown in Table 14.CTR.01, with the percent difference calculation indicating a 21% yield advantage for each penny of effort when all districts are involved in the comparison (511 in the bottom group and 510 in the corresponding top group) up to a whopping 114% advantage when the top and bottom 5% of districts are compared. In each case, the groups with the higher yields all averaged lower CTRs, from 1.8 cents for the 50% group to 5.7 cents for the 5% group).

It should be noted that this is the case *after* the 83rd Legislature's increases the BA and setting the RPAF to 1.00 were applied to the September 30th near final data for FY13, which is the most recent, relatively dependable data available.

¹³ Yield is defined as revenue per WADA at a given tax rate, divided by the number of pennies in the rate.

14.CTR.01		FY14(13) State and Local Revenue per WADA per Penny of Tier 1 Tax Effort				
Sorted By:	CTR Yield					
Grouped By:	District					
Data Year:	FY 2013					
Parameter Yr:	FY 2014					
Percentile	Number of Districts	WADA	Average Wealth	Average Compressed Tax Rate	Average CTR Yield	Percent Difference (%)
Bottom 5%	51	193,113	220,122	0.986	49.69	
Top 5%	51	42,132	1,300,756	0.929	106.45	
Sum/Difference		235,245	1,080,634	(0.057)	56.76	114%
Bottom 10%	102	275,095	195,153	0.985	50.43	
Top 10%	102	116,759	1,088,794	0.940	87.96	
Sum/Difference		391,854	893,641	(0.045)	37.53	74%
Bottom 15%	153	386,061	191,780	0.982	50.80	
Top 15%	153	279,548	897,152	0.941	79.50	
Sum/Difference		665,609	705,572	(0.041)	28.70	57%
Bottom 20%	204	508,818	132,820	0.982	51.05	
Top 20%	204	392,516	785,259	0.944	74.52	
Sum/Difference		901,335	592,439	(0.038)	23.46	46%
Bottom 25%	255	1,073,067	190,025	0.982	51.25	
Top 25%	255	594,946	711,664	0.950	71.11	
Sum/Difference		1,563,013	521,639	(0.032)	19.86	39%
Bottom 30%	306	1,281,406	187,853	0.980	51.42	
Top 30%	306	910,746	646,744	0.953	68.62	
Sum/Difference		2,192,152	458,891	(0.028)	17.19	33%
Bottom 35%	357	1,528,163	186,901	0.980	51.58	
Top 35%	357	1,270,110	594,625	0.955	66.68	
Sum/Difference		2,798,273	407,724	(0.025)	15.10	29%
Bottom 40%	408	1,814,424	186,542	0.979	51.73	
Top 40%	408	1,715,430	555,224	0.958	65.15	
Sum/Difference		3,529,854	368,682	(0.021)	13.42	26%
Bottom 45%	459	2,727,031	189,496	0.980	51.87	
Top 45%	459	2,255,466	515,524	0.960	63.91	
Sum/Difference		4,982,496	326,028	(0.020)	12.04	23%
Bottom 50%	511	3,115,705	191,309	0.980	52.01	
Top 50%	510	2,962,644	484,902	0.962	62.88	
Sum/Difference		6,078,349	293,593	(0.018)	10.87	21%

Table 14.CTR.03 shows the major impacting factor in the huge yield gap. There is a massive average Tier 1 funding gap, for example, of \$2,463 per WADA in favor of the 153 districts with the highest yields (top in the 15% group). The bottom 15% group, on average, must tax 4.1 cents higher while the corresponding top group gets 49% higher funding for their basic program in spite of the lower tax rate. It is this combination of lower revenue per WADA and higher tax rate that, together, result in a 57% yield advantage for the high group, shown in Table 14.CTR.01. Surely, that cannot meet anyone's definition of similar revenue at similar effort.

The revenue per WADA accessible at the Tier 1 CTR for the 5% of districts with the highest Tier 1 yield is more than double the revenue available to the corresponding low yielding group, despite the bottom group's 5.7 cent higher average CTR. Not similar effort; certainly not similar revenue—and the disadvantages all point toward the bottom group in each comparison in all ten comparisons shown.

Unofficial copy Travis Co. District Clerk Yojo L. Price

14.CTR.03		FY14(13) State and Local Revenue per WADA at CTR				
Sorted By:	CTR Yield					
Grouped By:	District					
Data Year:	FY 2013					
Parameter Yr:	FY 2014					
Percentile	Number of Districts	WADA	Average Wealth	Average Compressed Tax Rate	Rev per WADA at CTR	Percent Difference
Bottom 5%	51	193,113	220,122	0.986	4,899	
Top 5%	51	42,132	1,300,756	0.929	9,837	
Sum/Difference		235,245	1,080,634	(0.057)	4,938	101%
Bottom 10%	102	275,095	195,153	0.985	4,965	
Top 10%	102	116,759	1,088,794	0.940	8,221	
Sum/Difference		391,854	893,641	(0.045)	3,257	66%
Bottom 15%	153	386,061	191,780	0.982	4,987	
Top 15%	153	279,548	897,152	0.941	7,450	
Sum/Difference		665,609	705,372	(0.041)	2,463	49%
Bottom 20%	204	508,818	192,320	0.982	5,014	
Top 20%	204	392,516	785,259	0.944	7,007	
Sum/Difference		901,335	592,439	(0.038)	1,993	40%
Bottom 25%	255	1,073,067	190,025	0.982	5,031	
Top 25%	255	594,946	711,664	0.950	6,723	
Sum/Difference		1,668,013	521,639	(0.032)	1,691	34%
Bottom 30%	306	1,281,406	187,853	0.980	5,041	
Top 30%	306	910,746	646,744	0.953	6,507	
Sum/Difference		2,192,152	458,891	(0.028)	1,466	29%
Bottom 35%	357	1,528,163	186,901	0.980	5,053	
Top 35%	357	1,270,110	594,625	0.955	6,341	
Sum/Difference		2,798,273	407,724	(0.025)	1,288	25%
Bottom 40%	408	1,814,424	186,542	0.979	5,064	
Top 40%	408	1,715,430	555,224	0.958	6,213	
Sum/Difference		3,529,854	368,682	(0.021)	1,149	23%
Bottom 45%	459	2,727,031	189,496	0.980	5,082	
Top 45%	459	2,255,466	515,524	0.960	6,108	
Sum/Difference		4,982,496	326,028	(0.020)	1,026	20%
Bottom 50%	511	3,115,705	191,309	0.980	5,096	
Top 50%	510	2,962,644	484,902	0.962	6,025	
Sum/Difference		6,078,349	293,593	(0.018)	929	18%

Classroom Funding Dissimilarities in the Basic Tier

To put this marked dissimilarity into perspective, Table 14.CTR.05 shows the disadvantage in Tier 1 funding for a typical elementary classroom of 22 children.

The Texas Education Code (TEC) requires elementary classrooms through fourth grade to not have a student-to-teacher ratio of more than 22:1, unless a waiver from TEA is granted.¹⁴ While other classrooms beyond fourth grade may have more or less children assigned, none of these are subject to statute. Thus, a typical elementary classroom of 22 children is the most logical choice to illustrate dissimilarities in funding on a classroom basis.

Explanation of the calculation of a classroom funding disadvantage:

1. The illustrations which follow assume a 95% rate of daily attendance since attendance percentages are not available for either 2012-13 or 2013-14 and attendance rates vary year to year among the various districts. Thus, a typical elementary classroom of 22 children is assumed to have 20.9 students in average daily attendance (ADA).
2. Each district has a ratio of WADA to ADA that reflects both district and student cost differences. Applying this ratio to 20.9 ADA produces a WADA count for a typical elementary classroom in that district. Since district and student costs are not uniform among districts, the WADA count for a typical elementary classroom will vary among districts.
3. This WADA count is then multiplied by the disadvantage in funding (revenue per WADA) to reach the disadvantage per classroom.

Table 14.CTR.05 is constructed to show examples of how classroom disadvantages were calculated in addition to displaying the data for consideration.

1. Column A shows the number of children in the classroom (22).
2. Column B is 95% of Column A, representing the average daily attendance. 95% of 22 is always 20.9 ADA.

¹⁴TEC Sec. 25.112(a) and (d)

3. Column C is the average ratio of WADA to ADA for the districts in the various groups. It is taken from the formula rows at the top of the district-by-district report that precedes this series of tables (Calc tab). The cells range from cell I1 to I32.
4. Column D is the product of Columns B and C.
5. Column E is the calculated funding gap at the CTR. It is taken directly from the same Calc tab (L1:L32).
6. Multiply Column E by Column D (gap per WADA times the number of WADA) to get the disadvantage shown in Column F.

14.CTR.05 FY14(13) State and Local Classroom of 22 Tier 1 Dissimilarity							
Sorted By:	CTR Yield						
Grouped By:	District						
Data Year:	FY 2013						
Parameter Yr:	FY 2014						
Percentile	Number of Districts	Classroom Size	Average Daily Attendance (95% Assumed)	WADA: ADA Ratio	WADA	Average Funding Gap at CTR	Classroom Funding Disadvantage
		A	B	C	D	E	F
Bottom 5%	51	22	20.2	1.65	34	4,938	170,077
Bottom 10%	102	22	20.9	1.70	35	3,257	115,482
Bottom 15%	153	22	20.9	1.70	35	2,463	87,364
Bottom 20%	204	22	20.9	1.69	35	1,993	70,390
Bottom 25%	255	22	20.9	1.66	35	1,691	58,796
Bottom 30%	306	22	20.9	1.65	35	1,466	50,654
Bottom 35%	357	22	20.9	1.65	34	1,288	44,420
Bottom 40%	408	22	20.9	1.64	34	1,149	39,391
Bottom 45%	459	22	20.9	1.62	34	1,026	34,788
Bottom 50%	511	22	20.9	1.61	34	929	31,257

The 15% of districts with the lowest average Tier 1 yield receives \$87,364 less for each classroom than they would have received if they were funded at the same level as the 15% of districts with the highest average CTR yield (Tier 1 yield). Even the bottom 511 districts would receive over \$30,000 more per classroom if they were funded at the level of the top 511 districts. Hardly similar revenue.

It should be remembered that tax rates for the bottom groups are higher than tax rates for the top groups, even though the bottom groups get markedly less funding.

Three similar tables showing groups of WADA instead of districts are included in the accompanying Excel spreadsheets for FY14(13). The numbers are different, but the story is the same. The actions of the 83rd Legislature did not provide for similar revenue for similar effort, and regardless of the method, the funding gaps in the current system are irrational, inefficient, and unacceptably large.

Inequity at the Adopted Tax Rate

Tier 1 is not sufficient to fund a GDK, which is required under the Texas Constitution. Therefore, virtually all districts have been forced to adopt tax rates that are above—and many well above—the Tier 1 local share tax rate, or CTR. In fact, property wealthy districts are even going beyond M&O, using short-term bonds paid with unrecaptured I&S tax rates to pay for capital expenditures that have historically been paid through M&O. While not illegal, this practice constitutes a “stealth M&O funding gap” that is in addition to the one shown in the following tables and other tables in the Excel files that are part of this report. This situation will be addressed later in the report.

This section analyzes FY14(13) data at the adopted M&O tax rate. The data show that even with the legislative changes, the funding disparities remain unacceptably large and the groups of districts averaging the highest funding continue to have the lowest average tax rates. Compared to the earlier analysis of funding at the basic program level for FY14(13), we see that at the ATR the tax effort gap increases to the benefit of the higher funded districts as lower funded districts attempt to provide a GDK.

For example, in Table 14.W-D.01 the FY14(13) data are sorted by district wealth and grouped by percentages of districts in the customary manner. The average ATR for the 5% of districts with the lowest wealth levels was \$1.109 in FY 13, while the top 5% of districts averaged a \$0.995 M&O tax rate. Despite this significantly dissimilar tax effort of more than 11 cents, the low taxing group is funded an average of \$3,265 per WADA less. Thus, the higher wealth districts had 57% more per WADA even

though the lower wealth districts taxed more than 11 cents higher.

When both the funding gap and the tax rate gap are taken into consideration in the calculation of yields, the data show the wealthiest districts (top) in the 5% group have a \$39.81 per WADA, per penny higher yield, amounting to a 77% advantage.

At the 15% level, the higher wealth group received \$1,978 per WADA more and taxed 8.2 cents lower—a 47% yield advantage. Even at the 25% level, with half the districts in the comparison, the higher wealth districts enjoyed \$1,372 more per WADA while taxing 6.5 cents less. The \$69.18 average yield for the wealthier districts provides one-third more funding per penny of tax effort, per WADA than the same state system makes available, on average, for the poorest 25% of districts.

All ten groupings in Table 14.W-D.01 show similar trends.

Unofficial copy Travis Co. District Clerk Veva L. Price

14.W-D.01		M&O REVENUE TABLE						
Sorted By:	Wealth							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	Average Adopted M&O Tax Rate	Average M&O Revenue per WADA at ATR	Percent Difference	Average M&O Yield at ATR	Percent Difference
Bottom 5%	51	243,419	350,474	1.109	5,757		51.95	
Top 5%	51	37,765	54,126	0.995	9,021		91.76	
Sum/Difference		281,184	404,601	(0.113)	3,265	57%	39.81	77%
Bottom 10%	102	363,583	523,181	1.106	5,732		51.84	
Top 10%	102	141,583	188,481	1.006	7,913		79.48	
Sum/Difference		505,166	711,661	(0.100)	2,181	38%	27.64	53%
Bottom 15%	153	480,524	690,077	1.102	5,712		51.88	
Top 15%	153	353,201	464,301	1.020	7,690		76.31	
Sum/Difference		833,725	1,154,378	(0.052)	1,978	35%	24.43	47%
Bottom 20%	204	691,198	980,347	1.098	5,694		51.91	
Top 20%	204	752,312	999,294	1.027	7,275		71.60	
Sum/Difference		1,443,509	1,979,642	(0.070)	1,581	28%	19.69	38%
Bottom 25%	255	802,426	1,139,218	1.096	5,690		51.95	
Top 25%	255	1,093,293	1,460,074	1.032	7,062		69.18	
Sum/Difference		1,895,719	2,599,302	(0.065)	1,372	24%	17.23	33%
Bottom 30%	306	989,092	1,397,830	1.094	5,693		52.10	
Top 30%	306	1,471,537	1,937,566	1.036	6,883		67.09	
Sum/Difference		2,460,628	3,335,396	(0.058)	1,190	21%	14.99	29%
Bottom 35%	357	1,095,730	1,549,810	1.095	5,717		52.29	
Top 35%	357	1,737,755	2,278,158	1.039	6,732		65.37	
Sum/Difference		2,833,485	3,827,968	(0.055)	1,015	18%	13.08	25%
Bottom 40%	408	1,450,610	2,032,282	1.092	5,730		52.53	
Top 40%	408	2,206,046	2,879,593	1.043	6,614		64.00	
Sum/Difference		3,656,655	4,911,875	(0.049)	884	15%	11.46	22%
Bottom 45%	459	1,625,632	2,272,228	1.090	5,742		52.79	
Top 45%	459	2,341,846	3,065,089	1.046	6,524		62.92	
Sum/Difference		3,967,478	5,337,318	(0.044)	781	14%	10.13	19%
Bottom 50%	511	1,768,738	2,464,361	1.089	5,737		52.76	
Top 50%	510	2,759,492	3,613,988	1.049	6,452		62.00	
Sum/Difference		4,528,231	6,078,349	(0.040)	715	12%	9.23	17%

Classroom Disadvantage at ATR

Showing inequities in funding on a per WADA basis is extremely important and is in keeping with the way inequities have been shown in previous Texas school finance litigation. However, funding inequities among typical elementary classrooms help to show the impact of these inequities.

Table 14.W-D.02 shows the impact of these funding disparities at the classroom level. If the lower wealth districts at the 5% level were funded at the same level as the average district in their higher wealth counterparts, they would receive an additional \$115,438 per typical elementary classroom.

At the 15% grouping level with 153 districts in each of the comparison groups, the least wealthy districts had a \$69,033 funding disadvantage. At the 25% of districts level, the disadvantage is still an astounding \$47,205. And, even when looking at a top and bottom grouping of all districts, the disadvantage for the least wealthy districts is nearly \$25,000 for each elementary classroom of 22 children.

Neither the tax effort nor the revenue is similar, and the tax effort and revenue dissimilarities on average run to the benefit of districts with the highest property wealth. This is consistently the case in each percentile group.

14.W-D.02		M&O REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average M&O Revenue per WADA at ATR	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	5,757		
Top 5%	51	9,021		
Sum/Difference		3,265	57%	115,438
Bottom 10%	102	5,732		
Top 10%	102	7,913		
Sum/Difference		2,181	38%	76,673
Bottom 15%	153	5,712		
Top 15%	153	7,690		
Sum/Difference		1,978	35%	69,033
Bottom 20%	204	5,694		
Top 20%	204	7,275		
Sum/Difference		1,581	28%	54,640
Bottom 25%	255	5,690		
Top 25%	255	7,062		
Sum/Difference		1,372	24%	47,205
Bottom 30%	306	5,693		
Top 30%	306	6,883		
Sum/Difference		1,190	21%	40,595
Bottom 35%	357	5,717		
Top 35%	357	6,732		
Sum/Difference		1,015	18%	34,925
Bottom 40%	403	5,730		
Top 40%	408	6,614		
Sum/Difference		884	15%	30,117
Bottom 45%	459	5,742		
Top 45%	459	6,524		
Sum/Difference		781	14%	26,475
Bottom 50%	511	5,737		
Top 50%	510	6,452		
Sum/Difference		715	12%	24,132

I&S Funding Inequities

Districts are not just funded by M&O revenue; the I&S side must be considered as well.

There are seven primary factors that impact I&S inequities:

1. There is no recapture of I&S collections. Districts with higher property wealth collect and retain more with each penny of I&S tax rate adopted.
2. The equalization on the I&S side is very limited, at a guaranteed level of \$35 per ADA, which will have not been changed for 16 years by the end of the current biennium. (I&S revenue will be presented on a "per WADA" basis since it will be combined with M&O revenue in later sections.)
3. Fewer and fewer districts receive just the \$35 in equalized funding because as their property value grows, however slightly, they eventually eclipse the \$35/ADA guaranteed level. A property poor district above a \$350,000 per ADA wealth level receives no state funding even though it cannot buy with a penny of I&S tax rate what it could have bought in 1999-2000 when the \$35 GL first took effect.
4. Even for districts that are within the equalized I&S system, the \$0.29 maximum equalized rate for the EDA forces them to be outside the system for any part of their I&S tax rate that exceeds \$0.29. As a consequence, there are two parts to I&S funding. The part that has limited equalization and tremendous funding inequities, and the part that is worse.
5. More property poor districts are taxing at unequalized rates because the cost of construction has risen, the GL has remained stagnant, and the maximum equalized rate has not increased. There are currently about 3 times as many districts in the equalized facilities funding system that are taxing above the \$0.29 I&S maximum rate for EDA than there were in 2005-06, even though there are fewer districts remaining in the equalized system.
6. Districts within the I&S equalized system have frozen revenue because, as their wealth per ADA grows, their state funding shrinks correspondingly.

7. Districts funded above the equalized I&S system will be able to maintain funding with fewer I&S pennies as their wealth grows. Although it is possible for a district's property wealth to fall in a given year, the trend is for wealth to grow. It is reasonable to expect that the results suggested for FY 14(13) and FY 15(13) will understate revenue per WADA for the wealthier districts.

Table 14.W-D.03 shows the average I&S tax rates, revenue per WADA, and yields for the same groupings used in previous sections of this report. It also shows the percent by which the average revenue per WADA and yield within each pairing exceeds that of the lower property wealthy districts.

At the 15% of districts level, the 153 districts in the bottom, lower wealth group raised an average of \$404 per WADA with an average \$0.161 I&S tax rate, compared to raising an average \$1,516 with an average I&S rate of \$0.147. Thus, the 15% of wealthier districts (top group) can raise 275% more, while the corresponding, low wealth group taxes 1.4 cents higher for I&S.

Combining the impact of revenue and tax rates, the average district in the bottom 15% can raise only \$23.92 per WADA with each penny of I&S tax effort, while the districts in the top 15% group average \$107.80 per WADA with each penny of I&S tax effort they levy. Thus, the average district in the top group raises about 3.5 times as much per WADA with a penny of I&S tax.

At the 5% and 10% levels, the differences are even starker. And even at the 25% level with half the districts included, the higher wealth districts can raise more than 2.5 times as much per penny.

14.W-D.03		I&S REVENUE TABLE						
Sorted By:	Wealth							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	Average Adopted I&S Tax Rate	Average I&S Revenue per WADA at ATR	Percent Difference	Average I&S Yield at ATR	Percent Difference
Bottom 5%	51	243,419	350,474	0.163	443		25.64	
Top 5%	51	37,765	54,126	0.112	2,235		198.22	
Sum/Difference		281,184	404,601	(0.051)	1,792	405%	172.58	673%
Bottom 10%	102	363,583	523,181	0.167	437		25.91	
Top 10%	102	141,583	188,481	0.141	1,829		141.15	
Sum/Difference		505,166	711,661	(0.026)	1,397	323%	115.24	445%
Bottom 15%	153	480,524	690,077	0.161	404		23.92	
Top 15%	153	353,201	464,301	0.147	1,516		107.80	
Sum/Difference		833,725	1,154,378	(0.014)	1,112	275%	83.88	351%
Bottom 20%	204	691,198	980,347	0.161	398		23.46	
Top 20%	204	752,312	999,294	0.156	1,359		92.32	
Sum/Difference		1,443,509	1,979,642	(0.005)	960	241%	68.85	293%
Bottom 25%	255	802,426	1,139,223	0.161	396		22.63	
Top 25%	255	1,093,293	1,460,074	0.158	1,222		81.18	
Sum/Difference		1,895,719	2,599,302	(0.003)	826	209%	58.54	259%
Bottom 30%	306	989,092	1,397,830	0.163	401		22.05	
Top 30%	306	1,471,537	1,937,566	0.159	1,127		72.64	
Sum/Difference		2,460,629	3,335,396	(0.004)	726	181%	50.59	229%
Bottom 35%	357	1,095,750	1,549,810	0.165	403		21.79	
Top 35%	357	1,737,755	2,278,158	0.166	1,066		66.13	
Sum/Difference		2,833,485	3,827,968	0.001	663	164%	44.34	203%
Bottom 40%	408	1,450,610	2,032,282	0.172	418		21.85	
Top 40%	408	2,206,046	2,879,593	0.175	1,022		60.90	
Sum/Difference		3,656,655	4,911,875	0.003	604	145%	39.05	179%
Bottom 45%	459	1,625,632	2,272,228	0.175	429		21.61	
Top 45%	459	2,341,846	3,065,089	0.177	970		56.78	
Sum/Difference		3,967,478	5,337,318	0.003	541	126%	35.17	163%
Bottom 50%	511	1,768,738	2,464,361	0.175	432		21.64	
Top 50%	510	2,759,492	3,613,988	0.181	932		53.19	
Sum/Difference		4,528,231	6,078,349	0.007	500	116%	31.54	146%

Table 14.W-D.04 shows the impact of these funding inequities by calculating the amount of additional revenue the bottom

districts would have on average on a classroom basis. The average classroom disadvantages range from \$16,891 to \$63,368, just from the I&S funding discrepancy.

Looking at the top and bottom 15% level, the average district in the bottom group would have \$38,805 more per typical elementary classroom of 22 students (from I&S funding only). The bottom 15% of districts are disadvantaged this much in spite of taxing 1.4 cents higher to start with.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.W-D.04 I&S REVENUE CLASSROOM DISADVANTAGE				
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average I&S Revenue per WADA at ATR	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	443		
Top 5%	51	2,235		
Sum/Difference		1,792	405%	63,368
Bottom 10%	102	432		
Top 10%	102	1,829		
Sum/Difference		1,397	323%	49,116
Bottom 15%	153	404		
Top 15%	153	1,516		
Sum/Difference		1,112	275%	38,805
Bottom 20%	204	398		
Top 20%	204	1,359		
Sum/Difference		960	241%	33,184
Bottom 25%	255	396		
Top 25%	255	1,222		
Sum/Difference		826	209%	28,426
Bottom 30%	306	401		
Top 30%	306	1,127		
Sum/Difference		726	181%	24,756
Bottom 35%	357	403		
Top 35%	357	1,066		
Sum/Difference		663	164%	22,824
Bottom 40%	403	418		
Top 40%	408	1,022		
Sum/Difference		604	145%	20,599
Bottom 45%	459	429		
Top 45%	459	970		
Sum/Difference		541	126%	18,333
Bottom 50%	511	432		
Top 50%	510	932		
Sum/Difference		500	116%	16,891

Looking at total tax rates (M&O + I&S), revenues per WADA and yields in Table 14.W-D.05 for the same groupings of districts, we find:

1. In each comparison, the lower wealth districts averaged higher total tax rates (the higher burden ranging from 3.3 cents at the 50%-50% level to 16.4 cents at the 5%-5% level).
2. In each comparison, the higher wealth districts averaged higher revenue per WADA levels (the advantage ranging from \$1,215 per WADA to \$5,057)
3. In each comparison, the higher wealth districts had a higher yield (the advantage ranging from \$12.03 per WADA per penny of tax rate (24% advantage per penny) to \$53.67 (110% advantage)).

The bottom 15% districts, on average, taxed nearly 10 cents higher and received over \$3,000 less than their wealthier counterparts (top 15%). The top 15% of districts received 65% more per WADA per penny of tax effort than the bottom districts did. Again, the data show both dissimilar tax effort and revenue per WADA, with the advantage in both instances going to the benefit of the wealthier districts. This result is consistent for all 10 comparisons.

Unofficial copy Travis Co. District Clerk Yvonne L. Price

14.W-D.05		M&O AND I&S REVENUE TABLE						
Sorted By:	Wealth							
Grouped By:								
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	M&O + I&S Average Adopted Tax Rate	M&O + I&S Average Revenues per WADA at ATRs	Percent Difference	M&O + I&S Average Yields at ATRs	Percent Difference
Bottom 5%	51	243,419	350,474	1.272	6,199		48.95	
Top 5%	51	37,765	54,126	1.108	11,256		102.61	
Sum/Difference		281,184	404,601	(0.164)	5,057	82%	53.67	110%
Bottom 10%	102	363,583	523,181	1.273	6,164		48.70	
Top 10%	102	141,583	188,481	1.147	9,743		86.16	
Sum/Difference		505,166	711,661	(0.126)	3,578	58%	37.46	77%
Bottom 15%	153	480,524	690,077	1.263	6,117		48.72	
Top 15%	153	353,201	464,301	1.167	9,206		80.62	
Sum/Difference		833,725	1,154,378	(0.096)	3,090	51%	31.90	65%
Bottom 20%	204	691,198	980,347	1.259	6,092		48.72	
Top 20%	204	752,312	999,294	1.183	8,633		74.53	
Sum/Difference		1,443,509	1,979,642	(0.075)	2,541	42%	25.81	53%
Bottom 25%	255	802,426	1,139,228	1.257	6,086		48.72	
Top 25%	255	1,093,293	1,460,074	1.190	8,284		71.10	
Sum/Difference		1,895,719	2,599,302	(0.067)	2,198	36%	22.38	46%
Bottom 30%	306	989,092	1,397,830	1.257	6,094		48.78	
Top 30%	306	1,471,537	1,937,566	1.195	8,009		68.34	
Sum/Difference		2,460,628	3,335,396	(0.062)	1,916	31%	19.55	40%
Bottom 35%	357	1,095,730	1,549,810	1.259	6,121		48.94	
Top 35%	357	1,737,755	2,278,158	1.205	7,799		65.98	
Sum/Difference		2,833,485	3,827,968	(0.054)	1,678	27%	17.04	35%
Bottom 40%	408	1,450,610	2,032,282	1.264	6,148		49.02	
Top 40%	408	2,206,046	2,879,593	1.217	7,636		64.02	
Sum/Difference		3,656,655	4,911,875	(0.046)	1,488	24%	15.00	31%
Bottom 45%	459	1,625,632	2,272,228	1.264	6,171		49.24	
Top 45%	459	2,341,846	3,065,089	1.223	7,494		62.54	
Sum/Difference		3,967,478	5,337,318	(0.041)	1,322	21%	13.30	27%
Bottom 50%	511	1,768,738	2,464,361	1.264	6,169		49.24	
Top 50%	510	2,759,492	3,613,988	1.231	7,384		61.26	
Sum/Difference		4,528,231	6,078,349	(0.033)	1,215	20%	12.03	24%

Looking at the classroom disadvantage at the total adopted tax rate in Table 14.W-D.06, the data show that the poorest 511 districts would receive, on average, over \$41,000 more in funding for each class of 22 children if they were funded like the top 50% of districts. The least wealthy 15% of districts have a \$107,838 classroom disadvantage, while having a total rate that is nearly 10 cents more.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.W-D.06		M&O AND I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	M&O + I&S Average Revenues per WADA at ATRs	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	6,199		
Top 5%	51	11,256		
Sum/Difference		5,057	82%	178,806
Bottom 10%	102	6,164		
Top 10%	102	9,743		
Sum/Difference		3,578	58%	125,789
Bottom 15%	153	6,117		
Top 15%	153	9,206		
Sum/Difference		3,090	51%	107,838
Bottom 20%	204	6,092		
Top 20%	204	8,633		
Sum/Difference		2,541	42%	87,825
Bottom 25%	255	6,086		
Top 25%	255	8,204		
Sum/Difference		2,118	36%	75,631
Bottom 30%	306	6,094		
Top 30%	306	8,009		
Sum/Difference		1,916	31%	65,351
Bottom 35%	357	6,121		
Top 35%	357	7,799		
Sum/Difference		1,678	27%	57,749
Bottom 40%	408	6,148		
Top 40%	408	7,636		
Sum/Difference		1,488	24%	50,715
Bottom 45%	459	6,171		
Top 45%	459	7,494		
Sum/Difference		1,322	21%	44,808
Bottom 50%	511	6,169		
Top 50%	510	7,384		
Sum/Difference		1,215	20%	41,023

Not all districts, however, levy I&S tax rates. This next section makes the same comparisons as the previous section except that only the districts in each group that had I&S tax rates are averaged and compared.

Tables 14.W-D.07 and 14.W-D.08 show the M&O revenue for the districts with I&S tax rates (excluding those districts with zero I&S rates). The "Number of Districts" column shows the number of districts in that grouping that have an I&S tax rate above zero. The data shown are averages of only the districts in each percentage group that have an I&S tax rate of greater than zero. For example, of the 153 districts in the bottom 15% group, only 123 have an I&S tax rate. The \$5,726 revenue per WADA shown is the average of only these 123 districts.

Of the 51 districts in the top and bottom 5%, each group has 42 districts with I&S rates. At the 50% level, the bottom group has 407 of 510 districts with an I&S rate, and the top group at the 50% level has 414 of 511.

The range of M&O funding gaps when districts without I&S tax rates are excluded from each group runs from \$673 to \$3,189 and the classroom gap runs from \$22,716 to \$112,768. This compares to ranges of \$715 to \$3,265 funding gap per WADA and \$24,132 to \$115,438 classroom funding gap for when all districts are included.

14.W-D.07		M&O REVENUE TABLE							
Sorted By:	Wealth								
Grouped By:	District								
Data Year:	FY 2013								
Parameter Yr:	FY 2014								
For Districts With I&S Tax Rates									
Percentile	Number of Districts	ADA	WADA	Average Adopted M&O Tax Rate	Average M&O Revenue per WADA at ATR	Percent Difference	Average M&O Yield at ATR	Percent Difference	
Bottom 5%	42	224,360	322,540	1.110	5,790		52.19		
Top 5%	42	34,789	48,909	0.987	8,979		92.27		
Sum/Difference		259,149	371,450	(0.123)	3,189	55%	40.09	77%	
Bottom 10%	83	340,777	488,666	1.107	5,746		51.93		
Top 10%	89	138,321	182,628	1.004	7,885		79.46		
Sum/Difference		479,098	671,294	(0.103)	2,140	37%	27.53	53%	
Bottom 15%	123	452,859	646,954	1.105	5,726		51.85		
Top 15%	126	346,647	452,371	1.018	7,428		73.83		
Sum/Difference		799,506	1,099,325	(0.087)	1,702	30%	21.99	42%	
Bottom 20%	165	660,441	931,609	1.101	5,705		51.87		
Top 20%	173	740,028	979,405	1.027	7,059		69.48		
Sum/Difference		1,400,469	1,911,014	(0.074)	1,354	24%	17.61	34%	
Bottom 25%	205	766,336	1,061,728	1.097	5,696		51.96		
Top 25%	215	1,076,247	1,432,410	1.030	6,909		67.76		
Sum/Difference		1,842,583	2,514,138	(0.067)	1,213	21%	15.80	30%	
Bottom 30%	245	943,847	1,326,492	1.094	5,700		52.14		
Top 30%	253	1,511,026	1,903,553	1.034	6,779		66.17		
Sum/Difference		2,454,873	3,230,045	(0.060)	1,080	19%	14.03	27%	
Bottom 35%	285	1,045,941	1,470,583	1.095	5,723		52.34		
Top 35%	293	1,712,199	2,237,149	1.039	6,656		64.67		
Sum/Difference		2,758,139	3,707,732	(0.056)	933	16%	12.32	24%	
Bottom 40%	329	1,398,249	1,948,543	1.092	5,732		52.58		
Top 40%	333	2,176,848	2,832,035	1.042	6,556		63.48		
Sum/Difference		3,575,097	4,780,578	(0.050)	825	14%	10.90	21%	
Bottom 45%	367	1,564,827	2,175,471	1.089	5,729		52.67		
Top 45%	376	2,309,103	3,011,602	1.045	6,464		62.37		
Sum/Difference		3,873,929	5,187,073	(0.044)	735	13%	9.70	18%	
Bottom 50%	407	1,701,586	2,357,852	1.089	5,727		52.66		
Top 50%	414	2,721,338	3,551,990	1.048	6,400		61.56		
Sum/Difference		4,422,924	5,909,843	(0.041)	673	12%	8.90	17%	

14.W-D.08		M&O REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
For Districts With I&S Tax Rates				
Percentile	Number of Districts	Average M&O Revenue per WADA at ATR	Percent Difference	Average Classroom Disadvantage
Bottom 5%	42	5,790		
Top 5%	42	8,979		
Sum/Difference		3,189	55%	112,768
Bottom 10%	83	5,746		
Top 10%	89	7,885		
Sum/Difference		2,140	37%	75,215
Bottom 15%	123	5,726		
Top 15%	126	7,428		
Sum/Difference		1,702	30%	59,415
Bottom 20%	165	5,705		
Top 20%	173	7,059		
Sum/Difference		1,354	24%	46,797
Bottom 25%	205	5,696		
Top 25%	215	6,909		
Sum/Difference		1,213	21%	41,753
Bottom 30%	245	5,700		
Top 30%	253	6,779		
Sum/Difference		1,080	19%	36,832
Bottom 35%	285	5,723		
Top 35%	293	6,656		
Sum/Difference		933	16%	32,109
Bottom 40%	329	5,732		
Top 40%	333	6,556		
Sum/Difference		825	14%	28,105
Bottom 45%	367	5,729		
Top 45%	376	6,464		
Sum/Difference		735	13%	24,899
Bottom 50%	407	5,727		
Top 50%	414	6,400		
Sum/Difference		673	12%	22,716

Table 14.W-D.09 is similar to Table 14.W-D.03, shown earlier, but for districts within each of those groups with an I&S tax rate. At the 15% of districts level, the 123 districts in the lower wealth group raised an average of \$492 per WADA with an average \$0.201 I&S tax rate, compared to the 126 districts in the top group, which raised an average \$1,841 per WADA with an average I&S rate of \$0.179. Thus, the wealthier districts with I&S tax rates can, on average, raise 274% as much as the corresponding low wealth districts, which nevertheless have an average tax rate that is 2.2 cents higher for I&S.

Combining the impact of revenue and tax rates for this comparison, the average for the bottom 15% group is only \$29.75 per WADA with each penny of I&S tax effort, while the average for the top 15% group is \$130.90 per WADA with each penny of I&S tax effort they levy. Thus, the yield for the top group is 340% more than the yield for the bottom group.

At the 5% and 10% levels, the differences are even more extreme—the 42 wealthiest districts with I&S tax rates in the top 5% can raise 4.35 times as much as the 42 least wealthy districts in the bottom 5% with I&S tax rates. And even at the 25% level with 420 districts included in the comparison, the higher wealth districts can raise nearly 2.5 times as much per WADA per penny of effort.

14.W-D.09		I&S REVENUE TABLE						
Sorted By:	Wealth							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
For Districts With I&S Tax Rates								
Percentile	Number of Districts	ADA	WADA	Average Adopted I&S Tax Rate	Average I&S Revenue per WADA at ATR	Percent Difference	Average I&S Yield at ATR	Percent Difference
Bottom 5%	42	224,360	322,540	0.198	507		31.13	
Top 5%	42	34,789	48,909	0.137	2,713		240.69	
Sum/Difference		259,149	371,450	(0.062)	2,205	435%	209.56	673%
Bottom 10%	83	340,777	488,666	0.205	115		31.84	
Top 10%	89	138,321	182,628	0.162	2,096		161.77	
Sum/Difference		479,098	671,294	(0.043)	1,582	307%	129.92	408%
Bottom 15%	123	452,859	646,954	0.201	492		29.75	
Top 15%	126	346,647	452,371	0.179	1,841		130.90	
Sum/Difference		799,506	1,099,325	(0.022)	1,349	274%	101.15	340%
Bottom 20%	165	660,441	931,609	0.199	484		29.01	
Top 20%	173	740,028	979,405	0.183	1,602		108.86	
Sum/Difference		1,400,469	1,911,014	(0.015)	1,118	231%	79.85	275%
Bottom 25%	205	766,336	1,081,728	0.200	484		28.15	
Top 25%	215	1,076,247	1,442,410	0.188	1,449		96.28	
Sum/Difference		1,842,583	2,514,138	(0.012)	965	199%	68.12	242%
Bottom 30%	245	943,847	1,326,492	0.204	493		27.54	
Top 30%	253	1,451,026	1,903,553	0.193	1,363		87.85	
Sum/Difference		2,394,873	3,230,045	(0.012)	870	177%	60.31	219%
Bottom 35%	285	1,045,941	1,470,583	0.206	498		27.30	
Top 35%	293	1,712,199	2,237,149	0.202	1,299		80.58	
Sum/Difference		2,758,139	3,707,732	(0.004)	801	161%	53.28	195%
Bottom 40%	329	1,398,249	1,948,543	0.213	512		27.09	
Top 40%	333	2,176,848	2,832,035	0.214	1,253		74.61	
Sum/Difference		3,575,097	4,780,578	0.001	740	145%	47.52	175%
Bottom 45%	367	1,564,827	2,175,471	0.218	531		27.03	
Top 45%	376	2,309,103	3,011,602	0.216	1,184		69.32	
Sum/Difference		3,873,929	5,187,073	(0.002)	653	123%	42.29	156%
Bottom 50%	407	1,701,586	2,357,852	0.219	537		27.17	
Top 50%	414	2,721,338	3,551,990	0.223	1,149		65.52	
Sum/Difference		4,422,924	5,909,843	0.004	611	114%	38.35	141%

At the classroom level, shown in Table 14.W-D.10 (districts with I&S tax rates), the poorest districts in the 15% group have an average funding disadvantage of \$47,086 in a typical elementary classroom of 22 children. Even in the 50% group, the 407 lowest wealth districts are funded at a disadvantage of more than \$20,000 per classroom.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.W-D.10		I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
For Districts With I&S Tax Rates				
Percentile	Number of Districts	Average I&S Revenue per WADA at ATR	Percent Difference	Average Classroom Disadvantage
Bottom 5%	42	507		
Top 5%	42	2,713		
Sum/Difference		2,206	435%	78,010
Bottom 10%	83	515		
Top 10%	89	2,096		
Sum/Difference		1,582	307%	55,605
Bottom 15%	123	492		
Top 15%	126	1,841		
Sum/Difference		1,349	274%	47,086
Bottom 20%	165	484		
Top 20%	173	1,602		
Sum/Difference		1,118	231%	38,627
Bottom 25%	205	484		
Top 25%	215	1,449		
Sum/Difference		965	199%	33,218
Bottom 30%	245	493		
Top 30%	253	1,363		
Sum/Difference		870	177%	29,678
Bottom 35%	285	498		
Top 35%	293	1,299		
Sum/Difference		801	161%	27,575
Bottom 40%	329	512		
Top 40%	333	1,253		
Sum/Difference		740	145%	25,232
Bottom 45%	367	531		
Top 45%	376	1,184		
Sum/Difference		653	123%	22,133
Bottom 50%	407	537		
Top 50%	414	1,149		
Sum/Difference		611	114%	20,645

Inequity at Total Adopted Tax Rates

It is illogical to presume that the M&O and I&S portions of the Texas school finance system are not interwoven. They clearly are for several reasons, but, perhaps, the most important interweaving occurs through the wealthier districts use of short term bonds for capital expenditures. It should be noted that while lower wealth districts can legally perform the same finance structuring, there is little or no reward in doing so. In fact, the I&S funding level for low wealth districts is so low, as can be seen in the past few tables, that it is actually counter-productive as long as M&O tax rate capacity remains.

This section presents Table 14.W-D.11 and Table 14.W-D.12 showing the inequities in total revenue among districts with I&S tax rates. In each comparison, the lower wealth districts tax higher and have substantially less with which to educate their children. In that regard, the data show that regardless of whether all districts, or only those with I&S tax rates, are compared, the results show serious funding inequities.

Unofficial copy Travis Co. District Clerk Vera L. Price

14.W-D.11		M&O AND I&S REVENUE TABLE						
Sorted By:	Wealth							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
For Districts With I&S Tax Rates								
Percentile	Number of Districts	ADA	WADA	M&O + I&S Average Adopted Tax Rate	M&O + I&S Average Revenues per WADA at ATRs	Percent Difference	M&O + I&S Average Yields at ATRs	Percent Difference
Bottom 5%	42	224,360	322,540	1.309	6,297		48.25	
Top 5%	42	34,789	48,909	1.124	11,093		105.45	
Sum/Difference		259,149	371,450	(0.185)	5,395	86%	57.21	119%
Bottom 10%	83	340,777	488,666	1.312	6,260		47.91	
Top 10%	89	138,321	182,628	1.166	9,982		87.11	
Sum/Difference		479,098	671,294	(0.146)	3,721	59%	39.20	82%
Bottom 15%	123	452,859	646,954	1.305	6,217		47.81	
Top 15%	126	346,647	452,371	1.197	9,269		79.07	
Sum/Difference		799,506	1,099,325	(0.109)	3,051	49%	31.26	65%
Bottom 20%	165	660,441	931,609	1.300	6,189		47.85	
Top 20%	173	740,028	979,405	1.211	8,661		72.94	
Sum/Difference		1,400,469	1,911,014	(0.089)	2,472	40%	25.10	52%
Bottom 25%	205	766,336	1,021,728	1.297	6,180		47.85	
Top 25%	215	1,076,247	1,432,410	1.218	8,359		70.03	
Sum/Difference		1,842,583	2,514,138	(0.080)	2,179	35%	22.18	46%
Bottom 30%	245	943,847	1,326,492	1.299	6,192		47.92	
Top 30%	253	1,431,026	1,903,553	1.227	8,142		67.68	
Sum/Difference		2,394,873	3,230,045	(0.072)	1,950	31%	19.76	41%
Bottom 35%	285	1,045,941	1,470,583	1.301	6,221		48.08	
Top 35%	293	1,712,199	2,237,149	1.241	7,955		65.41	
Sum/Difference		2,758,139	3,707,732	(0.060)	1,734	28%	17.33	36%
Bottom 40%	329	1,398,249	1,948,543	1.305	6,244		48.16	
Top 40%	333	2,176,848	2,832,035	1.256	7,809		63.50	
Sum/Difference		3,575,097	4,780,578	(0.049)	1,565	25%	15.35	32%
Bottom 45%	367	1,564,827	2,175,471	1.308	6,260		48.17	
Top 45%	376	2,309,103	3,011,602	1.262	7,648		61.90	
Sum/Difference		3,873,929	5,187,073	(0.046)	1,388	22%	13.73	29%
Bottom 50%	407	1,701,586	2,357,852	1.309	6,265		48.18	
Top 50%	414	2,721,338	3,551,990	1.271	7,549		60.65	
Sum/Difference		4,422,924	5,909,843	(0.037)	1,284	20%	12.47	26%

14.W-D.12		M&O AND I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
For Districts With I&S Tax Rates				
Percentile	Number of Districts	M&O + I&S Average Revenues per WADA at ATRs	Difference	Average Classroom Disadvantage
Bottom 5%	42	6,297		
Top 5%	42	11,693		
Sum/Difference		5,395	86%	190,778
Bottom 10%	83	6,260		
Top 10%	89	9,982		
Sum/Difference		3,721	59%	130,820
Bottom 15%	123	6,217		
Top 15%	126	9,269		
Sum/Difference		3,051	49%	106,501
Bottom 20%	165	6,189		
Top 20%	173	8,661		
Sum/Difference		2,472	40%	85,424
Bottom 25%	205	6,180		
Top 25%	215	8,359		
Sum/Difference		2,179	35%	74,971
Bottom 30%	245	6,192		
Top 30%	253	8,142		
Sum/Difference		1,950	31%	66,510
Bottom 35%	285	6,221		
Top 35%	293	7,955		
Sum/Difference		1,734	28%	59,684
Bottom 40%	329	6,244		
Top 40%	333	7,809		
Sum/Difference		1,565	25%	53,337
Bottom 45%	367	6,260		
Top 45%	376	7,648		
Sum/Difference		1,388	22%	47,032
Bottom 50%	407	6,265		
Top 50%	414	7,549		
Sum/Difference		1,284	20%	43,362

Other Inequity Analyses

Other reports, with formulas shown, and additional series of tables were constructed that will be presented as exhibits at trial are located in the Excel files that are part of this supplemental report. The same types of comparisons made previously are easily seen directly from the data in the tables. The included files applicable to the FY 14(13) analysis are:

1. Sort: Wealth; Group WADA
2. Sort: Yield; Group District
3. Sort: Yield; Group WADA

In each of these cases, the results will remain the same. The numbers will vary somewhat, but the story is the same. Districts with lower property wealth and/or lower yields do much worse than districts with higher property wealth and/or higher yields.

Inequities in the Maximum Amount Accessible to Districts (\$1.17 M&O, \$0.50 I&S, and \$1.67 Total Rates)

With the handful of exceptions noted earlier, state law prohibits districts from adopting an M&O tax rate above \$1.17. However, districts (with voter approval) are empowered by the legislature to levy a \$1.17 M&O tax rate. The revenue shown at \$1.17 excludes any Local Option Homestead Exemption (LOHE), because whether or not to have LOHEs is within the authority of local school boards. To answer the question with respect to how much is *accessible* to a district, the LOHE must be eliminated.

In Tables 14.MMO-D.01 through 14.MMO-D.06, districts are sorted by the revenue per WADA at \$1.17 (LOHE removed). Table 14.MMO-D.01 shows that the 153 districts (15% of 1021) with the lowest yields at the maximum allowable M&O tax rate of \$1.17 averaged \$48.78 per penny of tax effort per WADA while the 153 districts with the highest yields averaged \$78.14, which is 60% higher. Hardly similar.

The funding disparity is much greater in the top/bottom 5% of districts comparison where the average yield *advantage* for the top group is larger than the bottom group's actual yield itself.

That trend in dissimilarity is consistent in each of the 10 comparisons shown in Table 14.MMO-D.01, with the percent difference calculation indicating 22% more for each penny of effort levied by the top group of districts when all districts

are involved in the comparison (511 in the bottom group and 510 in the corresponding top group) up to a whopping 125% greater return when the top and bottom 5% of districts are compared.

It should be noted that this is the case *after* the increase in the BA and the setting of the RPAF to 1.00, which was put in place for FY 14 by the 83rd Legislature.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.MMO-D.01		MAXIMUM M&O REVENUE TABLE						
Sorted By:	Max M&O Revenue per WADA							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	Average M&O Revenue per WADA at \$1.17	Percent Difference	Average M&O Yield at \$1.17	Percent Difference	
Bottom 5%	51	36,109	56,384	5,564		47.56		
Top 5%	51	27,221	43,328	12,515		106.95		
Sum/Difference		63,330	99,711	6,949	125%	59.39	125%	
Bottom 10%	102	86,265	130,490	5,658		48.36		
Top 10%	102	102,545	144,495	10,189		87.09		
Sum/Difference		188,809	274,984	4,531	80%	38.73	80%	
Bottom 15%	153	155,122	231,673	5,707		48.78		
Top 15%	153	181,889	252,520	9,143		78.14		
Sum/Difference		337,011	484,193	3,436	60%	29.36	60%	
Bottom 20%	204	247,016	359,237	5,742		49.08		
Top 20%	204	254,713	352,262	8,524		72.85		
Sum/Difference		501,729	711,498	2,782	48%	23.78	48%	
Bottom 25%	255	391,308	558,650	5,770		49.32		
Top 25%	255	430,950	581,168	8,116		69.36		
Sum/Difference		822,258	1,139,818	2,345	41%	20.04	41%	
Bottom 30%	306	544,843	764,466	5,795		49.53		
Top 30%	306	907,551	1,218,403	7,820		66.84		
Sum/Difference		1,452,394	1,982,869	2,026	35%	17.31	35%	
Bottom 35%	357	895,725	1,241,527	5,817		49.72		
Top 35%	357	1,222,784	1,621,633	7,598		64.94		
Sum/Difference		2,118,509	2,863,160	1,781	31%	15.22	31%	
Bottom 40%	408	1,043,459	1,440,832	5,838		49.89		
Top 40%	408	1,651,040	2,169,655	7,422		63.44		
Sum/Difference		2,694,499	3,610,487	1,584	27%	13.54	27%	
Bottom 45%	459	1,486,907	2,037,311	5,857		50.06		
Top 45%	459	2,051,739	2,702,202	7,279		62.21		
Sum/Difference		3,538,646	4,739,513	1,421	24%	12.15	24%	
Bottom 50%	511	1,866,134	2,547,809	5,877		50.23		
Top 50%	510	2,662,097	3,530,540	7,159		61.19		
Sum/Difference		4,528,231	6,078,349	1,282	22%	10.96	22%	

Classroom Disadvantage at \$1.17 M&O Maximum Effort

Table 14.MMO-D.02 shows the impact of these funding disparities at the classroom level. If the lower wealth districts at the 5% level (bottom 5%) were funded at the same level as the average district in their higher wealth counterparts (top 5%), they would receive an additional \$256,367 per typical elementary classroom.

At the 15% grouping level, with 153 districts in each of the comparison groups, the least wealthy districts had a \$128,675 funding disadvantage. At the 25% grouping level, the disadvantage is still an astounding \$83,714. Even when looking at a top and bottom grouping of all districts (top and bottom 50%), the disadvantage for the least wealthy districts is \$43,396 for each elementary classroom of 12 children.

Obviously, when every district's tax effort is at the maximum M&O tax rate of \$1.17, dissimilarities, on average, become even more pronounced, demonstrating the fullness of the inequity and inefficiency in the system.

Unofficial copy Travis Co. District Clerk Verna L. Price

14.MMO-D.02		MAXIMUM M&O REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Max M&O Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average M&O Revenue per WADA at \$1.17	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	5,564		
Top 5%	51	12,513		
Sum/Difference		6,949	125%	256,367
Bottom 10%	102	5,658		
Top 10%	102	10,189		
Sum/Difference		4,531	80%	172,813
Bottom 15%	153	5,707		
Top 15%	153	9,143		
Sum/Difference		3,436	60%	128,675
Bottom 20%	204	5,742		
Top 20%	204	8,524		
Sum/Difference		2,782	48%	101,633
Bottom 25%	255	5,770		
Top 25%	255	8,116		
Sum/Difference		2,345	41%	83,714
Bottom 30%	306	5,795		
Top 30%	306	7,820		
Sum/Difference		2,026	35%	71,247
Bottom 35%	357	5,817		
Top 35%	357	7,598		
Sum/Difference		1,781	31%	61,971
Bottom 40%	408	5,838		
Top 40%	408	7,422		
Sum/Difference		1,584	27%	54,500
Bottom 45%	459	5,857		
Top 45%	459	7,279		
Sum/Difference		1,421	24%	48,393
Bottom 50%	511	5,877		
Top 50%	510	7,159		
Sum/Difference		1,282	22%	43,396

I&S Funding Inequities at Maximum I&S Funding

Again, districts are not just funded by M&O revenue; the I&S side must be considered as well.

The seven primary factors that impact I&S inequities are discussed earlier in this report (pages 23-24) and should be remembered in this discussion.

Table 14.MMO-D.03 shows the revenue per WADA and yields for the same groupings used in previous sections of this report when all districts access the maximum \$0.50 I&S tax rate. It also shows the percent by which the average revenue per WADA and yield within each pairing exceeds that of the lower property wealth districts.

At the 15% grouping level, the 153 districts in the bottom, lower wealth group can access an average of \$1,118 per WADA with a \$0.50 I&S tax rate, compared to the top 153 districts raising an average \$5,628 with the same I&S rate of \$0.50. The top 15% can raise 404% more.

At the \$0.50 I&S tax rate, the average district in the bottom 15% can raise only \$22.35 per WADA with each penny of I&S tax effort, while the districts in the top 15% group average \$112.56 per WADA with each penny of I&S tax effort they levy. The average district in the top 15% can access over 5 times as much per WADA with a maximum I&S tax rate.

At the 5% and 10% levels, the differences are even starker. Even at the 25% level with half the districts included, the higher wealth districts can raise more than 3.5 times as much.

14.MMO-D.03		MAXIMUM I&S REVENUE TABLE						
Sorted By:	Max M&O Revenue per WADA							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	Average I&S Rev per WADA at \$0.50	Percent Difference	Average I&S Yield at \$0.50	Percent Difference	
Bottom 5%	51	36,109	56,384	1,093		21.95		
Top 5%	51	27,221	43,328	9,753		195.07		
Sum/Difference		63,330	99,711	2,656	789%	173.12	789%	
Bottom 10%	102	86,265	130,490	1,139		22.77		
Top 10%	102	102,545	144,433	7,093		141.85		
Sum/Difference		188,809	274,984	5,954	523%	119.08	523%	
Bottom 15%	153	155,122	231,673	1,118		22.35		
Top 15%	153	181,880	252,520	5,628		112.56		
Sum/Difference		337,011	484,193	4,510	404%	90.21	404%	
Bottom 20%	204	217,016	359,237	1,123		22.47		
Top 20%	204	254,713	352,262	4,768		95.35		
Sum/Difference		501,729	711,498	3,644	324%	72.88	324%	
Bottom 25%	255	391,308	558,650	1,141		22.82		
Top 25%	255	430,950	581,168	4,198		83.95		
Sum/Difference		822,258	1,139,818	3,057	268%	61.14	268%	
Bottom 30%	306	544,843	764,466	1,150		23.01		
Top 30%	306	907,551	1,218,403	3,815		76.31		
Sum/Difference		1,452,394	1,982,869	2,665	232%	53.30	232%	
Bottom 35%	357	895,725	1,241,527	1,158		23.16		
Top 35%	357	1,222,784	1,621,633	3,500		70.01		
Sum/Difference		2,118,509	2,863,160	2,342	202%	46.85	202%	
Bottom 40%	408	1,043,459	1,440,832	1,160		23.20		
Top 40%	408	1,651,040	2,169,655	3,241		64.82		
Sum/Difference		2,694,499	3,610,487	2,081	179%	41.62	179%	
Bottom 45%	459	1,486,907	2,037,311	1,169		23.37		
Top 45%	459	2,051,739	2,702,202	3,037		60.74		
Sum/Difference		3,538,646	4,739,513	1,868	160%	37.36	160%	
Bottom 50%	511	1,866,134	2,547,809	1,182		23.64		
Top 50%	510	2,662,097	3,530,540	2,864		57.29		
Sum/Difference		4,528,231	6,078,349	1,682	142%	33.65	142%	

Table 14.MMO-D.04 shows the impact of these funding inequities by calculating the amount of additional revenue the bottom districts, on average, would have available to them at the \$0.50 I&S tax rate on a classroom basis. The average classroom disadvantages range from \$56,933 to \$319,358, just from I&S funding discrepancies.

Looking at the top and bottom 15% level, the average district in the bottom group would have \$168,931 more per typical elementary classroom of 22 students (from I&S funding only). The bottom 15% of districts are exposed to this much of a disadvantage due to the lack of recapture and the lack of state funding for all I&S tax effort.

Unofficial copy Travis Co. District Clerk Velva Price

14.MMO-D.04		MAXIMUM I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Max M&O Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average I&S Rev per WADA at \$0.50	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	1,098		
Top 5%	51	9,753		
Sum/Difference		8,656	789%	319,358
Bottom 10%	102	1,139		
Top 10%	102	7,093		
Sum/Difference		5,954	523%	227,067
Bottom 15%	153	1,118		
Top 15%	153	5,628		
Sum/Difference		4,510	404%	168,931
Bottom 20%	204	1,123		
Top 20%	204	4,768		
Sum/Difference		3,645	324%	133,144
Bottom 25%	255	1,141		
Top 25%	255	4,198		
Sum/Difference		3,057	268%	109,115
Bottom 30%	306	1,150		
Top 30%	306	3,815		
Sum/Difference		2,665	232%	93,732
Bottom 35%	357	1,158		
Top 35%	357	3,500		
Sum/Difference		2,342	202%	81,511
Bottom 40%	408	1,160		
Top 40%	408	3,241		
Sum/Difference		2,081	179%	71,576
Bottom 45%	459	1,169		
Top 45%	459	3,037		
Sum/Difference		1,868	160%	63,614
Bottom 50%	511	1,182		
Top 50%	510	2,864		
Sum/Difference		1,682	142%	56,933

Looking at total maximum tax rates (M&O of \$1.17 + I&S of \$0.50) and those rates impact on revenues per WADA and yields in Table 14.MMO-D.05 for the same groupings of districts, we find the top

15% districts, on average, are able to access almost \$8,000 per WADA more than bottom 15% of districts. Accordingly, the top 15% of districts can access resources that are \$47.58 (116%) per WADA per penny of tax effort more than the bottom 15% of districts. Again, the data show very large dissimilarities in revenue per WADA when districts access all revenue available in the current system, even after the actions of the 83rd legislature. This result is consistent for all 10 comparisons.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.MMO-D.05		MAXIMUM M&O AND I&S REVENUE TABLE						
Sorted By:	Max M&O Revenue per WADA							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	M&O + I&S Average Revenue per WADA at \$1.67	Percent Difference	M&O + I&S Average Yield at \$1.67	Percent Difference	
Bottom 5%	51	36,109	56,384	6,662		39.89		
Top 5%	51	27,221	43,328	22,205		133.33		
Sum/Difference		63,330	99,711	11,604	234%	93.44	234%	
Bottom 10%	102	86,265	130,490	6,797		40.70		
Top 10%	102	102,545	144,495	17,282		103.48		
Sum/Difference		188,809	274,984	10,485	154%	62.79	154%	
Bottom 15%	153	155,122	231,673	6,825		40.87		
Top 15%	153	181,889	252,520	14,771		88.45		
Sum/Difference		337,011	484,193	7,946	116%	47.58	116%	
Bottom 20%	204	247,016	359,237	6,866		41.11		
Top 20%	204	254,713	352,262	13,292		79.59		
Sum/Difference		501,729	711,498	6,426	94%	38.48	94%	
Bottom 25%	255	391,308	558,650	6,911		41.38		
Top 25%	255	430,950	581,168	12,313		73.73		
Sum/Difference		822,258	1,139,818	5,402	78%	32.35	78%	
Bottom 30%	306	544,843	764,466	6,945		41.59		
Top 30%	306	907,551	1,218,403	11,636		69.67		
Sum/Difference		1,452,394	1,982,869	4,691	68%	28.09	68%	
Bottom 35%	357	895,725	1,241,527	6,975		41.77		
Top 35%	357	1,222,784	1,621,633	11,098		66.45		
Sum/Difference		2,118,509	2,863,160	4,123	59%	24.69	59%	
Bottom 40%	408	1,043,459	1,440,832	6,998		41.90		
Top 40%	408	1,651,040	2,169,655	10,663		63.85		
Sum/Difference		2,694,499	3,610,487	3,665	52%	21.95	52%	
Bottom 45%	459	1,486,907	2,037,311	7,026		42.07		
Top 45%	459	2,051,739	2,702,202	10,316		61.77		
Sum/Difference		3,538,646	4,739,513	3,289	47%	19.70	47%	
Bottom 50%	511	1,866,134	2,547,809	7,058		42.27		
Top 50%	510	2,662,097	3,530,540	10,023		60.02		
Sum/Difference		4,528,231	6,078,349	2,965	42%	17.75	42%	

Looking at the classroom disadvantage for the combined total of maximum M&O and I&S tax rates in Table 14.MMO-D.06, the data show that the bottom 50% of districts would receive, on average, over \$100,000 more in funding for each class of 22 children, if they were funded at the same level as the top 50% of districts. The bottom 15% of districts would have access to an additional \$297,606 per classroom of 22 students if they were funded at the same levels as the top 15% at the same maximum tax rates under our current inefficient system, even after the changes of the 83rd legislative session.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.MMO-D.06 MAXIMUM M&O AND I&S REVENUE CLASSROOM DISADVANTAGE				
Sorted By:	Max M&O Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	M&O + I&S Average Revenue per WADA at \$1.67	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	6,662		
Top 5%	51	22,266		
Sum/Difference		15,604	234%	575,725
Bottom 10%	102	6,797		
Top 10%	102	17,282		
Sum/Difference		10,485	154%	399,879
Bottom 15%	153	6,825		
Top 15%	153	14,771		
Sum/Difference		7,946	116%	297,606
Bottom 20%	204	6,866		
Top 20%	204	13,292		
Sum/Difference		6,426	94%	234,776
Bottom 25%	255	6,911		
Top 25%	255	12,313		
Sum/Difference		5,402	78%	192,829
Bottom 30%	306	6,945		
Top 30%	306	11,636		
Sum/Difference		4,691	68%	164,979
Bottom 35%	357	6,975		
Top 35%	357	11,098		
Sum/Difference		4,123	59%	143,482
Bottom 40%	408	6,998		
Top 40%	408	10,663		
Sum/Difference		3,665	52%	126,076
Bottom 45%	459	7,026		
Top 45%	459	10,316		
Sum/Difference		3,289	47%	112,007
Bottom 50%	511	7,058		
Top 50%	510	10,023		
Sum/Difference		2,965	42%	100,330

Inequities in the Maximum Amount Accessible to Districts at the \$1.67 Maximum Total Tax Rate

There is one interrelating, comingling system for funding public education in Texas. The funding amounts per weighted student accessible to the 1021 districts vary greatly. This section shows the extent of the inefficiency/inequity when districts adopt maximum tax rates. As reported earlier, there are rare exceptions when districts are allowed to adopt rates in excess of \$1.17 for M&O and \$0.50 for I&S. These exceptions are minor and do not affect the results shown in the following tables in any meaningful way.

In Table 14.MT-D.01, districts are sorted by the revenue per WADA available to each district at the maximum tax rate (\$1.67 with LOHE removed). Table 14.MT-D.01 shows that the 153 districts with the lowest yields at the maximum revenue per WADA available (bottom 15%) averaged \$49.27 per penny of tax effort per WADA while the 153 districts with the highest yields (top 15%) averaged \$77.19, which is 57% higher. Hardly similar.

The funding disparity is much greater in the top/bottom 5% of districts comparison where the average yield *advantage* for the top group is larger than the bottom group's actual total yield they can access at maximum M&O tax effort.

This trend in dissimilarity is consistent in each of the 10 comparisons shown in Table 14.MT-D.01. For example, when all districts are involved in the comparison, the percent difference calculation shows a 41% greater yield for the 510 districts in the top group. When the top and bottom 5% of districts are compared, the top group has a 116% greater return.

It should be noted that this is the case *after* the increase in the BA and the setting of the RPAF to 1.00, which was put in place for FY 14 by the 83rd Legislature.

14.MT-D.01		MAXIMUM M&O REVENUE TABLE						
Sorted By:	Max Total Revenue per WADA							
Grouped By:	District							
Data Year:	FY 2013							
Parameter Yr:	FY 2014							
All Districts								
Percentile	Number of Districts	ADA	WADA	Average M&O Revenue per WADA at \$1.17	Percent Difference	Average M&O Yield at \$1.17	Percent Difference	
Bottom 5%	51	19,773	34,601	5,677		48.52		
Top 5%	51	30,218	45,962	12,200		104.79		
Sum/Difference		49,991	80,562	6,583	116%	56.27	116%	
Bottom 10%	102	50,374	83,875	5,732		48.99		
Top 10%	102	96,661	136,185	10,062		86.00		
Sum/Difference		147,035	220,014	4,330	76%	37.01	76%	
Bottom 15%	153	85,126	130,712	5,765		49.27		
Top 15%	153	305,468	405,299	9,031		77.19		
Sum/Difference		390,594	545,011	3,266	57%	27.92	57%	
Bottom 20%	204	131,306	209,073	5,791		49.50		
Top 20%	204	470,826	623,259	8,434		72.09		
Sum/Difference		602,132	832,332	2,643	46%	22.59	46%	
Bottom 25%	255	200,004	310,915	5,819		49.73		
Top 25%	255	808,584	1,073,025	8,054		68.84		
Sum/Difference		1,008,589	1,383,940	2,235	38%	19.10	38%	
Bottom 30%	306	439,941	644,297	5,842		49.93		
Top 30%	306	1,161,695	1,524,758	7,762		66.34		
Sum/Difference		1,601,636	2,169,055	1,920	33%	16.41	33%	
Bottom 35%	357	790,083	1,126,541	5,863		50.11		
Top 35%	357	1,604,423	2,113,507	7,543		64.47		
Sum/Difference		2,394,506	3,240,048	1,680	29%	14.36	29%	
Bottom 40%	408	1,007,653	1,424,198	5,877		50.23		
Top 40%	408	2,008,263	2,630,002	7,370		62.99		
Sum/Difference		3,015,917	4,054,201	1,494	25%	12.77	25%	
Bottom 45%	459	1,341,231	1,882,114	5,893		50.36		
Top 45%	459	2,372,527	3,109,039	7,234		61.83		
Sum/Difference		3,713,758	4,991,154	1,342	23%	11.47	23%	
Bottom 50%	511	1,721,703	2,391,729	5,911		50.52		
Top 50%	510	2,806,528	3,686,620	7,125		60.90		
Sum/Difference		4,528,231	6,078,349	1,214	21%	10.38	21%	

Classroom Disadvantage at \$1.17 M&O Maximum Effort

Table 14.MT-D.02 shows the impact of these funding disparities at the classroom level. If the lowest funded districts at the 5% level (bottom 5%) were funded at the same level as the average district in their higher funded counterparts (top 5%), they would receive an additional \$278,741 per typical elementary classroom.

At the 15% grouping level with 153 districts in each of the comparison groups, the bottom 15% had a \$123,205 funding disadvantage. At the 25% grouping level, the disadvantage is still an astounding \$82,213 for the bottom 25%. Even when looking at a top and bottom grouping of all districts (top and bottom 50%), the disadvantage for the bottom 50% is nearly \$41,500 for each elementary classroom of 42 children.

Unofficial copy Travis Co. District Clerk Veva Price

14.MT-D.02		MAXIMUM M&O REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Max Total Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average M&O Revenue per WADA at \$1.17	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	5,677		
Top 5%	51	12,260		
Sum/Difference		6,583	116%	278,741
Bottom 10%	102	5,732		
Top 10%	102	10,062		
Sum/Difference		4,330	76%	169,936
Bottom 15%	153	5,765		
Top 15%	153	9,031		
Sum/Difference		3,266	57%	123,205
Bottom 20%	204	5,791		
Top 20%	204	8,434		
Sum/Difference		2,643	46%	98,874
Bottom 25%	255	5,319		
Top 25%	255	8,054		
Sum/Difference		2,235	38%	82,213
Bottom 30%	306	5,842		
Top 30%	306	7,762		
Sum/Difference		1,920	33%	69,117
Bottom 35%	357	5,863		
Top 35%	357	7,543		
Sum/Difference		1,680	29%	59,435
Bottom 40%	408	5,877		
Top 40%	408	7,370		
Sum/Difference		1,494	25%	51,892
Bottom 45%	459	5,893		
Top 45%	459	7,234		
Sum/Difference		1,342	23%	46,201
Bottom 50%	511	5,911		
Top 50%	510	7,125		
Sum/Difference		1,214	21%	41,457

I&S Funding Inequities at Maximum I&S Funding

Table 14.MT-D.03 shows the revenue per WADA and yields for the same groupings used in previous sections of this report and is sorted by the revenue available to each district when all districts access the maximum \$1.67 tax rate. It also shows the percent by which the average revenue per WADA and yield within each pairing exceeds that of the lower property wealthy districts.

At the 15% grouping level, the 153 districts in the lowest yield group (bottom 15%) can access an average of \$920 per WADA with a \$0.50 I&S tax rate, compared to the top 153 districts (top 15%) raising an average of \$5,972 per WADA with the same \$0.50 I&S tax rate. The top 15% can raise 549% more.

At the \$0.50 tax rate, the average district in the bottom 15% can raise only \$18.40 per WADA with each penny of I&S tax effort, while the districts in the top 15% group average \$119.43 per WADA with each penny of I&S tax effort they levy. The average district in the top group can access about 5.5 times more per WADA with a maximum I&S tax rate.

At the 5% and 10% levels, the differences are even starker. And even at the 25% level with half the districts included, the higher wealth districts can raise more than 4.5 times as much.

14.MT-D.03		MAXIMUM I&S REVENUE TABLE					
Sorted By:	Max Total Revenue per WADA						
Grouped By:	District						
Data Year:	FY 2013						
Parameter Yr:	FY 2014						
All Districts							
Percentile	Number of Districts	ADA	WADA	Average I&S Rev per WADA at \$0.50	Percent Difference	Average I&S Yield at \$0.50	Percent Difference
Bottom 5%	51	19,773	34,601	832		16.63	
Top 5%	51	30,218	45,962	11,010		220.20	
Sum/Difference		49,991	80,562	10,178	1224%	203.56	1224%
Bottom 10%	102	50,374	83,875	813		17.65	
Top 10%	102	96,661	136,189	7,558		151.17	
Sum/Difference		147,035	220,064	6,676	756%	133.51	756%
Bottom 15%	153	85,126	138,712	920		18.40	
Top 15%	153	305,468	405,299	5,972		119.43	
Sum/Difference		390,594	545,011	5,051	549%	101.03	549%
Bottom 20%	204	131,306	209,073	947		18.94	
Top 20%	204	470,625	623,259	5,076		101.53	
Sum/Difference		602,132	832,332	4,129	436%	82.59	436%
Bottom 25%	255	200,004	310,915	966		19.33	
Top 25%	255	808,584	1,073,025	4,458		89.16	
Sum/Difference		1,008,589	1,383,940	3,492	361%	69.83	361%
Bottom 30%	306	439,941	644,297	988		19.75	
Top 30%	306	1,161,695	1,524,758	4,019		80.38	
Sum/Difference		1,601,636	2,169,055	3,031	307%	60.63	307%
Bottom 35%	357	790,083	1,126,541	1,007		20.15	
Top 35%	357	1,604,423	2,113,507	3,674		73.47	
Sum/Difference		2,394,506	3,240,048	2,666	265%	53.32	265%
Bottom 40%	408	1,007,653	1,424,198	1,032		20.64	
Top 40%	408	2,008,263	2,630,002	3,397		67.95	
Sum/Difference		3,015,917	4,054,201	2,365	229%	47.31	229%
Bottom 45%	459	1,341,231	1,882,114	1,053		21.05	
Top 45%	459	2,372,527	3,109,039	3,169		63.37	
Sum/Difference		3,713,758	4,991,154	2,116	201%	42.32	201%
Bottom 50%	511	1,721,703	2,391,729	1,071		21.43	
Top 50%	510	2,806,528	3,686,620	2,975		59.50	
Sum/Difference		4,528,231	6,078,349	1,904	178%	38.07	178%

Classroom Disadvantage at \$0.50 I&S Maximum Effort

Table 14.MT-D.04 shows the impact of these funding inequities by calculating the amount of additional revenue the lowest funded districts, on average, would have available to them at the \$0.50 I&S tax rate on a classroom basis. The average classroom disadvantages range from \$64,992 to \$430,966, just from I&S funding discrepancies.

Looking at the top and bottom 15% level, the average district in the bottom group could access \$190,543 more per typical elementary classroom of 22 students (from I&S funding only). The bottom 15% of districts are exposed to this much of a disadvantage because of the lack of recapture and the lack of state funding for all I&S tax effort.

Unofficial copy Travis Co. District Clerk Veva L. Price

14.MT-D.04		MAXIMUM I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Max Total Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average I&S Rev per WADA at \$0.50	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	832		
Top 5%	51	11,010		
Sum/Difference		10,178	1224%	430,966
Bottom 10%	102	883		
Top 10%	102	7,558		
Sum/Difference		6,676	756%	261,974
Bottom 15%	153	920		
Top 15%	153	5,972		
Sum/Difference		5,051	549%	190,543
Bottom 20%	204	947		
Top 20%	204	5,076		
Sum/Difference		4,129	436%	154,471
Bottom 25%	255	956		
Top 25%	255	4,458		
Sum/Difference		3,492	361%	128,426
Bottom 30%	306	988		
Top 30%	306	4,019		
Sum/Difference		3,031	307%	109,119
Bottom 35%	357	1,007		
Top 35%	357	3,674		
Sum/Difference		2,666	265%	94,312
Bottom 40%	408	1,032		
Top 40%	408	3,397		
Sum/Difference		2,365	229%	82,184
Bottom 45%	459	1,053		
Top 45%	459	3,169		
Sum/Difference		2,116	201%	72,852
Bottom 50%	511	1,071		
Top 50%	510	2,975		
Sum/Difference		1,904	178%	64,992

Inequities in the Maximum Amount Accessible to Districts at the \$1.67 Maximum Total Tax Rate

In Table 14.MT-D.05, districts are sorted by the revenue per WADA available after combining the revenue per WADA available to each district at the maximum M&O tax rate (\$1.17 with LOHE removed) with the revenue per WADA available to each district at the maximum I&S tax rate (\$0.50). Table 14.MT-D.05 shows that the 153 districts with the lowest yields at the maximum revenue per WADA available (bottom 15%) averaged \$40.03 per penny of tax effort per WADA while the 153 districts with the highest yields (top 15%) averaged \$89.84, which is 124% higher. The \$49.81 difference is even greater than the yield the lowest funded 15% can access. Hardly similar.

The funding disparity is much greater in the top/bottom 5% of districts comparison where the average yield advantage for the top group is 258% larger than the bottom group's actual yield itself.

This trend in dissimilarity is consistent in each of the 10 comparisons shown in Table 14.MT-D.05, with the percent difference calculation indicating a 45% greater return for each penny of effort levied by the top group of districts when all districts are involved in the comparison (511 in the bottom group and 510 in the corresponding top group) up to a 258% greater return when the top and bottom 5% of districts are compared.

This is the case after the increase in the BA and the setting of the RPAF to 1.00 was put in place for FY 14 by the 83rd Legislature.

14.MT-D.05 MAXIMUM M&O AND I&S REVENUE TABLE							
Sorted By:	Max Total Revenue per WADA						
Grouped By:	District						
Data Year:	FY 2013						
Parameter Yr:	FY 2014						
All Districts							
Percentile	Number of Districts	ADA	WADA	M&O + I&S Average Revenue per WADA at \$1.67	Percent Difference	M&O + I&S Average Yield at \$1.67	Percent Difference
Bottom 5%	51	19,773	34,601	6,509		38.98	
Top 5%	51	30,218	45,962	23,270		139.34	
Sum/Difference		49,991	80,562	16,761	258%	100.37	258%
Bottom 10%	102	50,374	83,875	6,615		39.61	
Top 10%	102	96,661	136,185	17,621		105.51	
Sum/Difference		147,035	220,064	11,006	166%	65.90	166%
Bottom 15%	153	85,126	153,712	6,685		40.03	
Top 15%	153	305,468	406,299	15,003		89.84	
Sum/Difference		390,594	545,011	8,318	124%	49.81	124%
Bottom 20%	204	131,005	209,073	6,738		40.35	
Top 20%	204	470,826	623,259	13,511		80.90	
Sum/Difference		602,132	832,332	6,772	101%	40.55	101%
Bottom 25%	255	200,004	310,915	6,785		40.63	
Top 25%	255	808,584	1,073,025	12,512		74.92	
Sum/Difference		1,008,589	1,383,940	5,727	84%	34.29	84%
Bottom 30%	306	439,941	644,297	6,829		40.89	
Top 30%	306	1,161,695	1,524,758	11,781		70.54	
Sum/Difference		1,601,636	2,169,055	4,951	73%	29.65	73%
Bottom 35%	357	790,083	1,126,541	6,871		41.14	
Top 35%	357	1,604,423	2,113,507	11,217		67.17	
Sum/Difference		2,394,506	3,240,048	4,346	63%	26.02	63%
Bottom 40%	408	1,007,653	1,424,198	6,909		41.37	
Top 40%	408	2,008,263	2,630,002	10,768		64.48	
Sum/Difference		3,015,917	4,054,201	3,859	56%	23.11	56%
Bottom 45%	459	1,341,231	1,882,114	6,945		41.59	
Top 45%	459	2,372,527	3,109,039	10,403		62.29	
Sum/Difference		3,713,758	4,991,154	3,458	50%	20.70	50%
Bottom 50%	511	1,721,703	2,391,729	6,982		41.81	
Top 50%	510	2,806,528	3,686,620	10,100		60.48	
Sum/Difference		4,528,231	6,078,349	3,118	45%	18.67	45%

Classroom Disadvantage at \$1.67 M&O Maximum Effort

Table 14.MT-D.06 shows the impact of these funding disparities at the classroom level. If the lowest funded districts at the 5% level (bottom 5%) were funded at the same level as the average district in their higher funded counterparts (top 5%), they would receive an additional \$709,707 per typical elementary classroom.

At the 15% grouping level with 153 districts in each of the comparison groups, the least funded districts have a \$313,748 funding disadvantage. At the 25% grouping level, the disadvantage is still an astounding \$210,638. Even when looking at the top and bottom grouping of all districts (top and bottom 50%), the disadvantage for the lowest funded districts is over \$100,000 for each elementary classroom of 22 children.

Unofficial copy Travis Co. District Clerk Veva L. Price

14.MT-D.06		MAXIMUM M&O AND I&S REVENUE CLASSROOM DISADVANTAGE		
Sorted By:	Max Total Revenue per WADA			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	M&O + I&S Average Revenue per WADA at \$1.67	Percent Difference	Average Classroom Disadvantage
Bottom 5%	51	6,509		
Top 5%	51	23,270		
Sum/Difference		16,761	258%	709,707
Bottom 10%	102	6,615		
Top 10%	102	17,621		
Sum/Difference		11,006	166%	431,910
Bottom 15%	153	6,685		
Top 15%	153	15,003		
Sum/Difference		8,318	124%	313,748
Bottom 20%	204	6,738		
Top 20%	204	13,511		
Sum/Difference		6,772	101%	253,346
Bottom 25%	255	6,785		
Top 25%	255	12,512		
Sum/Difference		5,727	84%	210,638
Bottom 30%	306	6,829		
Top 30%	306	11,781		
Sum/Difference		4,951	73%	178,236
Bottom 35%	357	6,871		
Top 35%	357	11,217		
Sum/Difference		4,346	63%	153,747
Bottom 40%	408	6,909		
Top 40%	408	10,768		
Sum/Difference		3,859	56%	134,076
Bottom 45%	459	6,945		
Top 45%	459	10,403		
Sum/Difference		3,458	50%	119,053
Bottom 50%	511	6,982		
Top 50%	510	10,100		
Sum/Difference		3,118	45%	106,449

Inequities in M&O Tax Rates Required in Order to Raise \$6,576 per WADA

During the October trial, exhibits were sponsored that showed the M&O tax rates necessary to raise \$6,576 per WADA, a number calculated by Dr. Bruce Baker and presented in his testimony. This funding level was not presented as the amount necessary to provide a GDK, but one that reflected the impact of inflation up to 2012 on the cost of providing a GDK over the years. It did not take into consideration the costs of increasing state accountability standards or post-secondary and parental expectations.

Using the FY 14(13) data used in the preceding analyses, only 202 districts (19.8%) can achieve \$6,576 within the maximum M&O tax rate of \$1.17 and only 119 districts (11.7%) can do so within the \$1.04 rate before mandatory voter approval is required, as shown in Table 14.TRS.01

What this means is that 902 districts (88.3%) cannot get to \$6,576 within the \$1.04 statutory limit to school board taxing authority. But, it is even worse than that. Of these 902 districts, 819 cannot get to \$6,576 at all—even with 100% of the voting population in support in moving their M&O tax rate to \$1.17. The inadequate M&O funding levels for most districts, combined with the \$1.17 maximum M&O rate, ensures the impossibility of these districts achieving \$6,576 in M&O revenue per WADA.

If the state system allowed for the adoption of M&O tax rates above \$1.17 and equalized/recaptured those additional pennies (above \$1.17) at the \$31.95 GL (\$319,500 EWL), the 5% of districts with the highest required rates (bottom 5%) would, on average, have to tax at \$1.526 to raise \$6,576. In contrast, the 5% of districts that can achieve \$6,576 with the least tax effort (top 5%) could raise that amount at an average \$0.573 M&O tax rate. The highest taxing group would have to tax 266% higher than the lowest taxing group. Each district in the top groups can achieve \$6,576 within \$1.04 and none of the districts in the bottom groups can achieve \$6,576 within \$1.17.

At the 15% level, districts with the highest required rates (bottom 15%) would, on average, have to tax at \$1.459 to raise \$6,576. In contrast, the 15% of districts that can achieve \$6,576 with the least tax effort (top 15%) could raise \$6,576 at

an average M&O tax rate of \$0.848. The bottom 15% would have to tax 172% higher than the top 15% to achieve \$6,576. Each district in the top 15% can do so within \$1.17 (119 of 153 can do so at \$1.04) and none of the districts in the bottom 15% can do so within \$1.17.

Even in the 50% grouping, the data show that an average M&O tax rate of \$1.392 would be required to achieve \$6,576 for the 511 districts in the bottom 50%, compared to an average M&O tax rate of \$1.129 for the top 510 districts (top 50%). This would amount to a 23% tax rate penalty for the average district in the bottom group.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.TRS.01	\$6,576 TAX RATE SEEK TABLE					
Sorted By:	Tax Rate to Raise \$6,576					
Grouped By:	District					
Data Year:	2013					
Parameter Yr:	2014					
All Districts						
Percentile	Number of Districts	WADA	Average Tax Rate to Raise \$6,576	Ratio (%)	Number W. Rate <=\$1.04	Number W. Rate <=\$1.17
Bottom 5%	51	57,238	1.526		0	0
Top 5%	51	49,494	0.573		51	51
Sum/Difference		106,731	(0.252)	266%		
Bottom 10%	102	134,923	1.481		0	0
Top 10%	102	135,785	0.742		102	102
Sum/Difference		270,708	(0.740)	200%		
Bottom 15%	153	247,954	1.459		0	0
Top 15%	153	247,131	0.848		119	153
Sum/Difference		495,085	(0.611)	172%		
Bottom 20%	204	462,073	1.444		0	0
Top 20%	204	344,665	0.922		119	202
Sum/Difference		806,739	(0.522)	157%		
Bottom 25%	255	612,134	1.433		0	0
Top 25%	255	583,224	0.977		119	202
Sum/Difference		1,195,358	(0.455)	147%		
Bottom 30%	306	885,208	1.423		0	0
Top 30%	306	1,245,293	1.021		119	202
Sum/Difference		2,130,500	(0.403)	139%		
Bottom 35%	357	1,185,656	1.414		0	0
Top 35%	357	1,597,504	1.055		119	202
Sum/Difference		2,783,160	(0.359)	134%		
Bottom 40%	408	1,494,988	1.406		0	0
Top 40%	408	2,080,660	1.084		119	202
Sum/Difference		3,575,648	(0.323)	130%		
Bottom 45%	459	2,145,948	1.399		0	0
Top 45%	459	2,575,833	1.108		119	202
Sum/Difference		4,721,781	(0.291)	126%		
Bottom 50%	511	2,888,532	1.392		0	0
Top 50%	510	3,189,877	1.129		119	202
Sum/Difference		6,078,409	(0.263)	123%		

Table 14.TRS.02 tells the same story, except the districts are grouped by percentage of WADA. For the 15% group in this arrangement, there are 584 districts (314 in the bottom, high taxing group; 270 in the top low taxing group), with just under 2 million WADA.

In this 15% comparison, the bottom, high taxing group would be required, on average, to adopt a \$1.422 M&O rate. The top (low taxing group) could, on average, achieve \$6,576 at a rate that is below a dollar. It would require a 43% higher tax rate for the high taxing districts in this comparison to reach \$6,576. None could raise \$6,576 within \$1.17. About three-fourths of the top group could raise \$6,576 at \$1.17.

At the 50% comparison level, the higher taxing group (bottom 50%) would, on average, have to adopt a \$1.391 M&O tax rate to achieve \$6,576, which is 24% higher than the \$1.125 rate required of the lower taxing group (top 50%).

Unofficial copy Travis Co. District Clerk Velva R. Price

14.TRS.02

\$6,576 TAX RATE SEEK TABLE

Sorted By: Tax Rate to Raise \$6,576
 Grouped By: WADA
 Data Year: 2013
 Parameter Yr: 2014
 All Districts

Percentile	Number of Districts	WADA	Average Tax Rate to Raise \$6,576	Ratio (%)	Number W. Rate <=\$1.04	Number W. Rate <=\$1.17
Bottom 5%	165	315,262	1.455		0	0
Top 5%	186	308,673	0.899		119	186
Sum/Difference		623,935	(0.556)	152%		
Bottom 10%	255	612,134	1.433		0	0
Top 10%	258	634,703	0.980		119	202
Sum/Difference		1,246,837	(0.453)	146%		
Bottom 15%	314	918,339	1.422		0	0
Top 15%	270	1,015,310	0.991		119	202
Sum/Difference		1,933,649	(0.430)	143%		
Bottom 20%	367	1,268,858	1.413		0	0
Top 20%	301	1,224,170	1.017		119	202
Sum/Difference		2,493,028	(0.396)	139%		
Bottom 25%	410	1,575,755	1.406		0	0
Top 25%	355	1,569,291	1.054		119	202
Sum/Difference		3,145,046	(0.352)	133%		
Bottom 30%	425	1,858,030	1.404		0	0
Top 30%	382	1,841,563	1.070		119	202
Sum/Difference		3,699,593	(0.334)	131%		
Bottom 35%	457	2,144,486	1.400		0	0
Top 35%	417	2,183,643	1.088		119	202
Sum/Difference		4,328,129	(0.311)	129%		
Bottom 40%	489	2,439,460	1.395		0	0
Top 40%	439	2,440,330	1.099		119	202
Sum/Difference		4,879,789	(0.296)	127%		
Bottom 45%	507	2,840,619	1.393		0	0
Top 45%	481	2,787,742	1.117		119	202
Sum/Difference		5,628,362	(0.275)	125%		
Bottom 50%	522	3,077,126	1.391		0	0
Top 50%	499	3,001,283	1.125		119	202
Sum/Difference		6,078,409	(0.266)	124%		

The next two tables are similar to the previous two, except they are sorted by district wealth. When districts are sorted by

wealth, some low wealth districts with high target revenues are included in the calculations for the bottom groups at each percentage level. These districts have high target revenues at low wealth due to having sold WADA to wealthy districts in FY 06. Even so, only 3 districts in the bottom 15% can achieve \$6,576 within a legal M&O tax rate. None can do so within the \$1.04 before voter approval is required.

Table 14.TRS.03 (grouped by percent of districts) shows in the 15% comparison that, in order for the 153 districts in the high taxing group (bottom 15%) to achieve \$6,576, they would have to tax at an illegal average rate of \$1.363, compared to an average tax rate of \$0.966 for the districts in the top 15%. Only 3 (2.0%) of the districts in the bottom 15% can legally achieve \$6,576 per WADA, but 111 (72.5%) of the districts in the top 15% can achieve \$6,576 within \$1.17.

Unofficial copy Travis Co. District Clerk Valma L. Price

14.TRS.03

\$6,576 TAX RATE SEEK TABLESorted By: **Wealth**Grouped By: **District**Data Year: **2013**Parameter Yr: **2014****All Districts**

Percentile	Number of Districts	WADA	Average Tax Rate to Raise \$6,576	Ratio (%)	Number W. Rate <= \$1.04	Number W. Rate <= \$1.17
Bottom 5%	51	350,473	1.363		0	1
Top 5%	51	54,128	0.738		47	50
Sum/Difference		404,602	(0.625)	125%		
Bottom 10%	102	523,178	1.362		0	1
Top 10%	102	188,482	0.889		68	86
Sum/Difference		711,660	(0.473)	153%		
Bottom 15%	153	690,069	1.363		0	3
Top 15%	153	464,308	0.966		81	111
Sum/Difference		1,154,377	(0.357)	141%		
Bottom 20%	204	980,337	1.364		0	5
Top 20%	204	999,294	1.025		89	127
Sum/Difference		1,979,631	(0.338)	133%		
Bottom 25%	255	1,139,222	1.361		0	6
Top 25%	255	1,460,093	1.065		96	140
Sum/Difference		2,599,315	(0.297)	128%		
Bottom 30%	306	1,397,836	1.358		0	8
Top 30%	306	1,937,591	1.097		100	152
Sum/Difference		3,335,427	(0.261)	124%		
Bottom 35%	357	1,549,817	1.352		2	13
Top 35%	357	2,278,182	1.122		105	161
Sum/Difference		3,827,999	(0.230)	120%		
Bottom 40%	408	2,032,292	1.347		4	19
Top 40%	408	2,879,633	1.144		108	165
Sum/Difference		4,911,925	(0.203)	118%		
Bottom 45%	459	2,272,241	1.341		6	25
Top 45%	459	3,065,126	1.163		111	172
Sum/Difference		5,337,368	(0.178)	115%		
Bottom 50%	511	2,464,374	1.342		6	26
Top 50%	510	3,614,035	1.179		113	176
Sum/Difference		6,078,409	(0.163)	114%		

When districts are sorted by wealth and grouped by percentage of WADA (Table 14.TRS.04), we see that only 5 of 197 districts (2.5%) in the bottom 15% group can legally reach \$6,576 and none

can within \$1.04. It should be noted that fewer than half of the wealthiest districts with 15% of WADA (top 15%) can achieve \$6,576 within \$1.04. Many could avoid going above \$1.04 and still effectively reach \$6,576 by accessing non-recaptured I&S pennies for M&O purposes.

At the 50% grouping level, when all districts are included, only 32 of the 572 districts (5.6%) in the bottom 50% can reach \$6,576 within \$1.17, and only 10 (1.7%) can do so within \$1.04. Among the wealthiest districts with 50% of the WADA (top 50%), only 170 of 449 districts (37.9%) can reach \$6,576 at a legal rate, and fewer than a quarter of them can do so at \$1.04.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.TRS.04

**\$6,576 TAX RATE SEEK
TABLE**

Sorted By: **Wealth**
 Grouped By: **WADA**
 Data Year: **2013**
 Parameter Yr: **2014**
All Districts

Percentile	Number of Districts	WADA	Average Tax Rate to Raise \$6,576	Ratio (%)	Number W. Rate <= \$1.04	Number W. Rate <= \$1.17
Bottom 5%	46	326,249	1.365		0	1
Top 5%	111	309,773	0.903		70	90
Sum/Difference		636,022	(0.462)	151%		
Bottom 10%	140	628,425	1.366		0	1
Top 10%	180	608,400	1.001		87	119
Sum/Difference		1,236,824	(0.365)	136%		
Bottom 15%	197	934,051	1.365		0	5
Top 15%	190	918,065	1.009		89	124
Sum/Difference		1,852,117	(0.354)	135%		
Bottom 20%	263	1,243,097	1.360		0	6
Top 20%	239	1,217,037	1.053		94	137
Sum/Difference		2,460,134	(0.306)	129%		
Bottom 25%	337	1,527,227	1.355		1	11
Top 25%	264	1,538,836	1.071		97	142
Sum/Difference		3,066,063	(0.285)	127%		
Bottom 30%	393	1,838,871	1.348		3	18
Top 30%	279	1,831,650	1.081		98	145
Sum/Difference		3,670,520	(0.267)	125%		
Bottom 35%	429	2,164,690	1.346		4	22
Top 35%	300	2,135,583	1.107		100	152
Sum/Difference		4,300,273	(0.238)	122%		
Bottom 40%	495	2,438,212	1.342		6	25
Top 40%	384	2,542,256	1.134		107	163
Sum/Difference		4,980,468	(0.208)	118%		
Bottom 45%	549	2,740,245	1.340		8	30
Top 45%	398	2,802,497	1.139		108	165
Sum/Difference		5,542,741	(0.201)	118%		
Bottom 50%	572	3,039,705	1.339		10	32
Top 50%	449	3,038,704	1.161		109	170
Sum/Difference		6,078,409	(0.178)	115%		

Tables showing similar results in achieving \$6,176 and \$6,562 are included in the Excel folder for 2014.

FY 13 Funding Gaps versus FY 14(13) Funding Gaps

One might expect the increase in the BA and the TRAF to have decreased the funding per WADA gap, but other elements in the funding system have worked to minimize the gap closing impact. The tables for FY 14(13) and their corresponding tables for FY 13 are available in the Excel folders for those years. One comparison of matching tables can be seen in the following section.

I&S Revenue to Reopen the M&O Funding Gap

The previous section of this report explored the impact of the actions of the 83rd Legislature with respect to a higher funded BA, Tier 1 EWL, and modified RPAF and TRAF. The data in this section demonstrates the relative ease with which property wealthy districts can reopen and/or expand any closing of the funding gap resulting from the legislative changes.

In Table 14.W-D.13, the data in the column entitled "Average I&S Revenue per Penny per WADA" are based on an average of each district's current year, local taxable values, divided by WADA, divided by 10,000. The result, assuming 100% collections, is the local revenue per WADA that a district can generate with a penny of unrecaptured I&S tax rate.

The results for the lower wealth districts do not include any state equalization. This is because any new pennies of I&S tax rate (in the current biennium) will not generate any equalization, except in limited circumstances as discussed earlier in this report. Thus, any I&S revenue generated for the purpose of paying for capital expenditures normally covered under M&O in FY 14 or FY 15 would be limited to the amounts shown. It should also be noted that the amounts that can be raised for this purpose by lower wealth districts are not sufficient to make this practice productive unless such districts are already at the \$1.17 M&O rate and have no other means of funding their schools.

Under current law, tax effort in future biennia would receive state EDA funding up to the \$35/ADA GL. Using, for example, the 1.70 average WADA:ADA ratio shown for the bottom 15% of districts in Table 14.CTR.05 (column C) on page 17, the \$35 EDA GL (per ADA) calculates to only \$20.59 per WADA. Even then, it is obvious that using pennies of I&S tax rate and short-term

bonds for M&O purposes is impractical for lower wealth districts and would be used only if such districts were insufficiently funded at the \$1.17 maximum M&O rate.

Table 14.W-D.13 shows that the 153 wealthiest districts (top 15%), on average, can raise \$120 per WADA with each penny of I&S (unrecaptured) tax rate.

Unofficial copy Travis Co. District Clerk Velda L. Price

14.W-D.13 I&S Tax Rate to Re-Open/Increase an M&O Gap				
Sorted By:	Wealth			
Grouped By:	District			
Data Year:	FY 2013			
Parameter Yr:	FY 2014			
All Districts				
Percentile	Number of Districts	Average Adopted M&O Tax Rate	Average I&S Revenue per Penny per WADA	I&S Revenue per WADA at ATR Gap
Bottom 5%	51	1.109	6.28	
Top 5%	51	0.995	219.18	2,483
Sum/Difference		(0.113)	212.91	
Bottom 10%	102	1.106	7.97	
Top 10%	102	1.006	150.30	1,508
Sum/Difference		(0.100)	142.33	
Bottom 15%	153	1.102	9.24	
Top 15%	153	1.020	119.99	985
Sum/Difference		(0.082)	110.76	
Bottom 20%	204	1.098	10.25	
Top 20%	204	1.027	101.41	714
Sum/Difference		(0.070)	91.16	
Bottom 25%	255	1.096	11.25	
Top 25%	255	1.032	89.60	579
Sum/Difference		(0.065)	78.36	
Bottom 30%	306	1.094	12.25	
Top 30%	306	1.036	80.90	466
Sum/Difference		(0.058)	68.65	
Bottom 35%	357	1.095	13.24	
Top 35%	357	1.039	73.94	408
Sum/Difference		(0.055)	60.69	
Bottom 40%	403	1.092	14.11	
Top 40%	408	1.043	68.22	337
Sum/Difference		(0.049)	54.10	
Bottom 45%	459	1.090	15.03	
Top 45%	459	1.046	63.60	280
Sum/Difference		(0.044)	48.58	
Bottom 50%	511	1.089	15.74	
Top 50%	510	1.049	59.73	238
Sum/Difference		(0.040)	43.99	

The data in Table 13.W-D.01 show the funding gap between the top and bottom 15% of districts in FY 13 is \$2,124. In Table 14.W-

D.01 for FY 14(13), the corresponding gap number is \$1,978, which is \$146 less.

Table 14.W-D.13 shows the 153 wealthiest (top 15%) of districts can raise and retain (no recapture) \$120 per WADA for every additional penny of I&S tax rate levied. Therefore, it would take a little less than 1.22 cents of I&S tax rate to raise \$146 per WADA (\$146 divided by \$120 equals 1.217).

By paying \$146 per WADA of M&O capital expenditures with proceeds from a short-term bond on the I&S side, the average wealthy district in the top 15% group can regain its funding advantage with an additional 1.22 cents of I&S tax rate. Table 14.W-D.13 shows the average district in the wealthy 15% of districts has an 8.2 cent M&O tax rate advantage over the average district in the poorest 15% group. This 8.2 cent M&O tax rate advantage compensates several times over for the 1.22 cents of higher I&S tax rate, with room left over for a further effective widening of the gap, if desired.

The \$146 (\$2,124 - \$1,978) closing of the gap that was brought about by the actions of the 83rd Legislature can easily be reopened and even expanded—all under the radar.

Similar calculations show that the \$166 (\$3,431 - \$3,265) closing of the funding gap between the top and bottom 5% of districts can be reopened by adding about three-fourths of a penny, on average, to their existing I&S tax rate. At the 50% level, the \$70 (\$785 - \$715) closing of the funding gap is easily reopened with less than 1.17 cents of additional I&S tax.

In each case, the amount of the funding gap the actions of the 83rd Legislature closed can easily be reopened with a small increase in I&S tax rate, which in every instance is much less than the M&O tax rate advantage the average wealthy district in each group currently enjoys.

One might entertain the thought that such districts may have already maximized the amount of I&S for M&O purposes that is legally possible and that the amount the gap closed cannot, therefore, be reopened. If that should be the case, then what must be recognized is that the M&O funding gap is already, in effect, much larger than what is shown in Table 14.W-D.01.

13.W-D.01 M&O REVENUE TABLE

Sorted By: **Wealth**

Grouped By: **District**

Data Year: **FY 2013**

Parameter Yr: **FY 2013**

All Districts

Percentile	Number of Districts	ADA	WADA	Average Adopted M&O Tax Rate	Average M&O Revenue per WADA at ATR	Percent Difference	Average M&O Yield at ATR	Percent Difference
Bottom 5%	51	243,419	345,253	1.109	5,584		50.39	
Top 5%	51	37,765	53,267	0.995	9,015		91.70	
Sum/Difference		281,184	398,520	(0.113)	3,431	61%	41.31	82%
Bottom 10%	102	363,583	514,740	1.106	5,560		50.29	
Top 10%	102	141,583	185,506	1.006	7,397		79.33	
Sum/Difference		505,166	700,246	(0.100)	2,337	42%	29.04	58%
Bottom 15%	153	480,524	679,220	1.102	5,544		50.35	
Top 15%	153	353,201	457,117	1.020	7,667		76.08	
Sum/Difference		833,725	1,136,337	(0.052)	2,124	38%	25.74	51%
Bottom 20%	204	666,858	932,913	1.098	5,524		50.37	
Top 20%	204	752,274	983,966	1.027	7,243		71.29	
Sum/Difference		1,419,132	1,916,879	(0.070)	1,719	31%	20.93	42%
Bottom 25%	255	801,266	1,119,777	1.096	5,520		50.42	
Top 25%	255	1,093,293	1,438,120	1.032	7,017		68.75	
Sum/Difference		1,894,559	2,557,898	(0.064)	1,497	27%	18.33	36%
Bottom 30%	306	988,837	1,375,550	1.094	5,524		50.54	
Top 30%	306	1,471,537	1,908,130	1.036	6,823		66.52	
Sum/Difference		2,460,374	3,283,681	(0.058)	1,299	24%	15.98	32%
Bottom 35%	357	1,095,335	1,527,377	1.095	5,550		50.76	
Top 35%	357	1,737,755	2,243,473	1.039	6,666		64.75	
Sum/Difference		2,834,590	3,770,850	(0.055)	1,117	20%	13.98	28%
Bottom 40%	408	1,450,610	2,000,958	1.092	5,565		51.02	
Top 40%	408	2,206,046	2,835,610	1.043	6,536		63.26	
Sum/Difference		3,656,655	4,836,568	(0.049)	971	17%	12.24	24%
Bottom 45%	459	1,625,632	2,237,445	1.090	5,577		51.28	
Top 45%	459	2,418,778	3,114,931	1.046	6,431		62.06	
Sum/Difference		4,044,410	5,352,376	(0.044)	854	15%	10.79	21%
Bottom 50%	511	1,768,738	2,426,742	1.089	5,573		51.26	
Top 50%	510	2,759,492	3,557,454	1.049	6,358		61.11	
Sum/Difference		4,528,231	5,984,197	(0.040)	785	14%	9.86	19%

14.W-D.01 M&O REVENUE TABLE

Sorted By: **Wealth**

Grouped By: **District**

Data Year: **FY 2013**

Parameter Yr: **FY 2014**

All Districts

Percentile	Number of Districts	ADA	WADA	Average Adopted M&O Tax Rate	Average M&O Revenue per WADA at ATR	Percent Difference	Average M&O Yield at ATR	Percent Difference
Bottom 5%	51	243,419	350,474	1.109	5,757		51.95	
Top 5%	51	37,765	54,126	0.995	9,021		91.76	
Sum/Difference		281,184	404,601	(0.113)	3,265	57%	39.81	77%
Bottom 10%	102	363,583	523,181	1.106	5,732		51.84	
Top 10%	102	141,583	188,481	1.006	7,913		79.48	
Sum/Difference		505,166	711,661	(0.100)	2,181	38%	27.64	53%
Bottom 15%	153	480,524	690,077	1.102	5,712		51.88	
Top 15%	153	353,201	464,301	1.020	7,690		76.31	
Sum/Difference		833,725	1,154,378	(0.052)	1,978	35%	24.43	47%
Bottom 20%	204	691,198	980,347	1.098	5,694		51.91	
Top 20%	204	752,312	999,294	1.027	7,275		71.60	
Sum/Difference		1,443,509	1,979,642	(0.070)	1,581	28%	19.69	38%
Bottom 25%	255	802,426	1,139,218	1.096	5,690		51.95	
Top 25%	255	1,093,293	1,460,074	1.032	7,062		69.18	
Sum/Difference		1,895,719	2,599,302	(0.065)	1,372	24%	17.23	33%
Bottom 30%	306	989,092	1,397,830	1.094	5,693		52.10	
Top 30%	306	1,471,537	1,937,566	1.036	6,883		67.09	
Sum/Difference		2,460,629	3,335,396	(0.058)	1,190	21%	14.99	29%
Bottom 35%	357	1,095,730	1,549,810	1.095	5,717		52.29	
Top 35%	357	1,737,755	2,278,158	1.039	6,732		65.37	
Sum/Difference		2,833,485	3,827,968	(0.055)	1,015	18%	13.08	25%
Bottom 40%	408	1,450,610	2,032,282	1.092	5,730		52.53	
Top 40%	408	2,206,046	2,879,593	1.043	6,614		64.00	
Sum/Difference		3,656,655	4,911,875	(0.049)	884	15%	11.46	22%
Bottom 45%	459	1,625,632	2,272,228	1.090	5,742		52.79	
Top 45%	459	2,341,846	3,065,089	1.046	6,524		62.92	
Sum/Difference		3,967,478	5,337,318	(0.044)	781	14%	10.13	19%
Bottom 50%	511	1,768,738	2,464,361	1.089	5,737		52.76	
Top 50%	510	2,759,492	3,613,988	1.049	6,452		62.00	
Sum/Difference		4,528,231	6,078,349	(0.040)	715	12%	9.23	17%

Conclusion

This report includes tables that will be used as exhibits in the January 21st reopening of the evidence, covering FY 13, FY 14(13), and FY 15(13), based on TEA data, updated through September 30, 2013, and on I&S tax rates obtained from the Texas Comptroller of Public Accounts this past summer.

The data overwhelmingly support that low wealth, higher taxing districts are consistently funded at lower levels than high wealth, lower taxing districts. The Texas school finance system remains inequitable, inefficient, illogical, unfair, and, therefore, unconstitutional.

Unofficial copy Travis Co. District Clerk Velda L. Price