

SENATE EDUCATION COMMITTEE

Public Testimony HB 1525

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Over the past twenty years, Frisco ISD has been the fastest growing school district in the country. Adding more than 60,000 students, the District has opened school after school and hired hundreds of additional teachers and other staff each year. Even now, as the District's growth rate begins to slow, Frisco ISD is still adding nearly 2,000 students each year, and in the next two years will open 4 additional campuses.

Fast-Growth Costs

Each time a district opens a new campus, additional staff must be hired and central office support must increase. In general, campuses do not open at capacity. This causes diseconomies of scale for a period of time when costs per student to run a campus are at their highest. Over time, as campus enrollment increases, each new campus becomes as efficient as other campuses in the district, however, this can take up to four years. Additionally, in fast-growth districts like Frisco ISD, when one campus moves out of this period, another campus is opened and the process begins again.

The Fast Growth Allotment

In the 86th Session, the legislature recognized these significant additional costs borne by fast-growth districts and implemented the Fast Growth Allotment ("FGA"). Without this new allotment, the other formula adjustments in House Bill 3 would have resulted in a decrease in funding for Frisco ISD. However, in its original form, the FGA provided funding to districts based on their percentage growth, rather than the actual increase in student enrollment. Additionally, the formula was calculated based on growth for the prior three years. As a result, large fast growth districts like Frisco ISD faced the possibility of falling out of eligibility for the FGA even while still adding hundreds of students each year. Without a phase out, this created a sort of fiscal cliff where districts would lose millions of dollars from one year to the next.

House Bill 1525

In response to concerns from fast growth districts, the legislature included an amendment to the FGA in House Bill 1525. The amendment significantly improved the fast growth allotment and resulted in a large increase in funding to Frisco ISD. The new FGA uses growth over the prior six years, and creates a phased approach to providing additional funding. Each of these changes allows for a more realistic funding model that helps to address the costs associated with extreme student enrollment growth. However, the FGA also included a statewide cap on the total expenditures for the FGA. While the cap is certainly understandable given the potential significant costs associated with the new FGA, it was

set at a level that was exceeded in the very first year it took effect. For FY 2023, the cap was exceeded by \$64.9 million – more than 20%. As a result, the amount each district receives is pro-rated significantly. The five fastest growth districts (Conroe, Lamar Consolidated, Frisco, Proper, and Katy) will lose out on a collective \$25.7 million in revenue for FY 2023 because of this funding cap. In Frisco ISD specifically, the amount allotted under the FGA for FY 2023 is \$4,940,884 less than what would have been appropriated without a cap. That amount equates to approximately 75 teaching positions or an extra 1% raise for teachers in our district.

Furthermore, districts receive information about the proration of the FGA well into their budgeting processes. This means districts have to adjust revenue projections significantly which can impact their ability to provide clear, transparent communications about upcoming budget recommendations. Additionally, such a large proration means districts receive significantly less revenue than intended by the legislature which impedes the ability of districts to both cover the costs associated with rapid growth and provide teacher raises and other compensation increases, both of which are necessary given the rapid increase in inflation.

A cap on the FGA is likely a necessary step to ensure the FGA does not cause significant financial burden on state resources, however, the cap should be raised to more closely reflect the likely actual allotments. This will both ensure that districts have necessary budgetary certainty, and that they receive the intended allotment to assist with the costs of increased enrollment and staff compensation increases.