

angelou**economics**

Fast Growth School Coalition

Economic Impact Analysis:
**Fast-Growth School Districts
in Texas**

January, 2018



FASTGROWTH
SCHOOL COALITION

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Executive Summary



Executive Summary

Introduction

The Texas economy is one of the strongest performing economies in the country. So much so, that Texas is second only to California in terms of GDP, and if Texas were its own country, it would be the 10th largest economy in the world.

This position of strength has been dubbed the “Texas Miracle” – and justifiably so. Texas’ growth is not just isolated to population and employment, but extends to housing markets, retail spending, physical infrastructure, and indeed, Texas schools.

Economic growth bestows undeniable benefits to people, places, businesses, and governments. However, growth does not come without its own sets of challenges.

For school districts, growth comes in the form of increased enrollment. Again, a good problem to have, but only with proper mitigation of the specific challenges faced by growing school districts.

Founded in 1996, The Fast Growth School Coalition (FGSC) represents fast-growth school districts (FGDs) and educates policymakers on the unique needs of FGDs.

In Texas, there were 75 designated FGDs during the 2015-2016 academic year. This represents 7.3% of all school districts in the state. However, **FGDs enrolled 33.4% of all students statewide, and in even starker contrast, FGDs enrolled 78.5% of all new students during that year.**

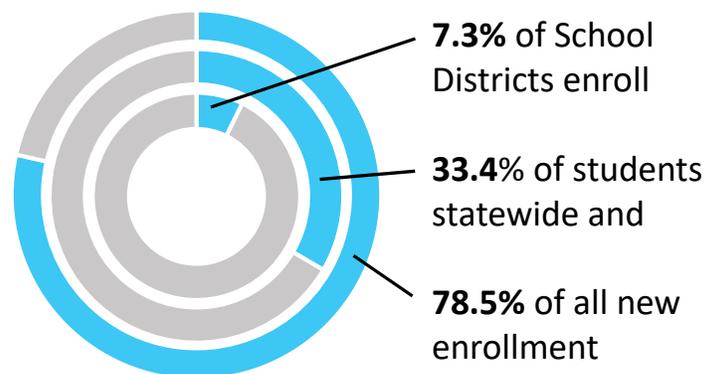
AngelouEconomics (AE) has been retained to better understand the unique nature of FGDs and their outsized impact compared to non-FGDs. The analysis in this study uses both qualitative and quantitative measures to define the economic impact that FGDs have on the state of Texas as well as within their communities.



75 Fast-Growing Districts

Criteria for FGDs:

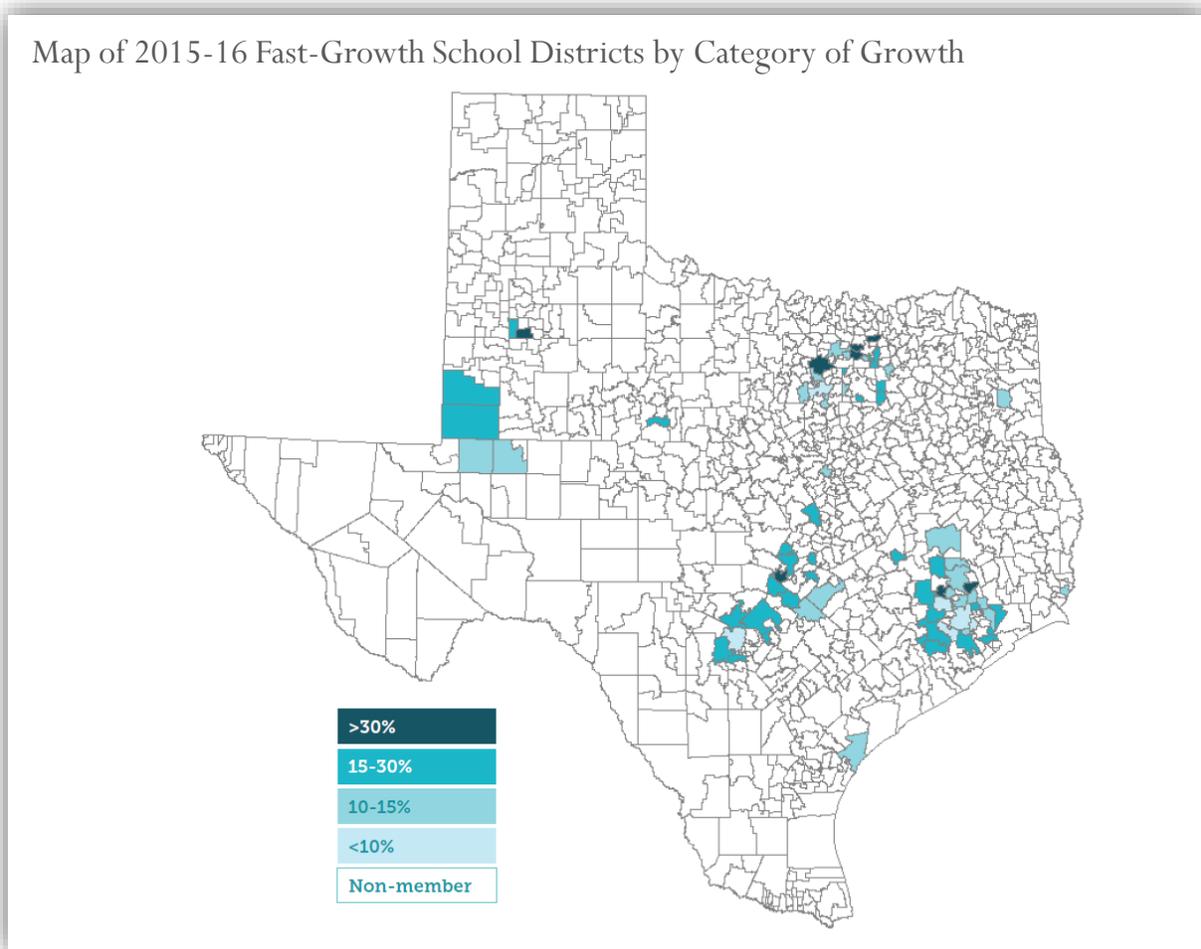
- ✓ Enrollment of at least 2,500 students during the previous school year; and
- ✓ Enrollment growth over the last 5 years of at least 10%, or
- ✓ A net increase of 3,500 or more students



Sources: AE, FGSC, National Center for Education Statistics

Executive Summary

Fast Growth School Districts



Aldine ISD	College Station ISD	Fort Worth ISD	Lancaster ISD	Pasadena ISD
Aledo ISD	Comal ISD	Frenship ISD	Leander ISD	Pearland ISD
Allen ISD	Conroe ISD	Frisco ISD	Liberty Hill ISD	Princeton ISD
Alvin ISD	Coppell ISD	Goose Creek CISD	Little Elm ISD	Prosper ISD
Andrews ISD	Crandall ISD	Grand Prairie ISD	Lockhart ISD	Royse City ISD
Anna ISD	Crosby ISD	Hallsville ISD	Lovejoy ISD	Schertz-Cibolo-U City ISD
Aransas County ISD	Cypress-Fairbanks ISD	Hays Cons ISD	Lubbock-Cooper ISD	Seminole ISD
Barbers Hill ISD	Denton ISD	Houston ISD	Manor ISD	Sheldon ISD
Bastrop ISD	Dickinson ISD	Humble ISD	Medina Valley ISD	Southwest ISD
Belton ISD	Dripping Springs ISD	Huntsville ISD	Midland ISD	Tomball ISD
Boerne ISD	Eagle Mt-Saginaw ISD	Hutto ISD	Montgomery ISD	Waller ISD
Bridge City ISD	Ector County ISD	Katy ISD	Needville ISD	Willis ISD
Burleson ISD	Everman ISD	Klein ISD	New Caney ISD	Wylie ISD (Collin County)
Castleberry ISD	Forney ISD	Lake Travis ISD	Northside ISD	Wylie ISD (Taylor County)
China Spring ISD	Fort Bend ISD	Lamar CISD	Northwest ISD	

Sources: AE, FGSC, Texas Education Agency

Executive Summary

Key Findings

Impact of Construction & Related Expenditures

There are many positive economic benefits that school districts create for their communities. Among the most easily recognizable impacts are those associated with construction and capital investments.

From 2000 to 2014, approximately \$33.1 billion was invested into construction projects in FGDs.

As billions of dollars are invested into school infrastructure and equipment, hundreds of downstream vendors and suppliers see increased demand for their products and services. **The result is that 26,810 jobs are supported each year, \$24.7 billion in labor incomes were paid out, and a total of \$70.5 billion in increased economic activity was created, all of which originated with the direct spending from fast-growth school districts.**



**Total Economic Output:
\$70.5 Billion**



**Average Jobs
Impacted/Year:
26,810**



**Labor Income:
\$24.7 Billion**



**Business Sectors
Impacted: 500+**

*Construction results are 15-year totals and represent 2017 dollars.

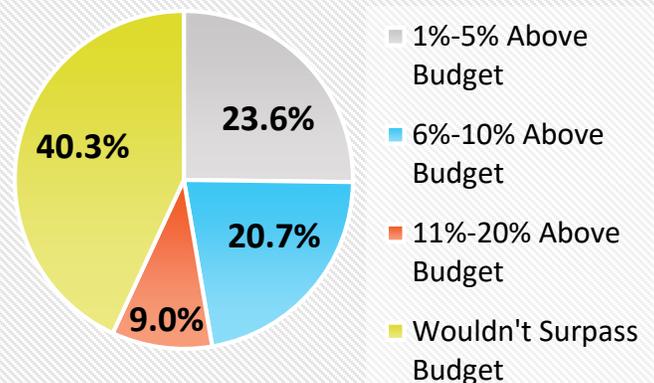
Impact of School Districts on Housing Markets

For families, finding the right home is all about finding the right school district. Even a full 50% of non-family home-buyers opt to live within school districts to take advantage of stronger appreciation of home values associated with school districts.

To be located in the right school district, 54% of home-buyers are willing to spend as much as 20% beyond their stated budgets. Moreover, these same home-buyers are willing to forego amenities in order to live within a preferred school district.

The impact magnifies for districts with high-performing schools. In these districts, **the premium paid can be as high as 70%, or \$50 per square foot.**

Premium Paid on Homes for the Right School District



Sources: AE, FGSC, Implan, National Center for Education Statistics, Realtor.com, Redfin,

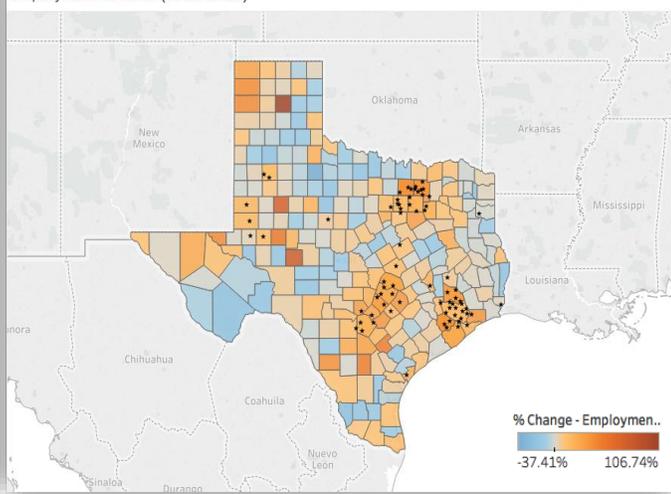
Executive Summary

Key Findings

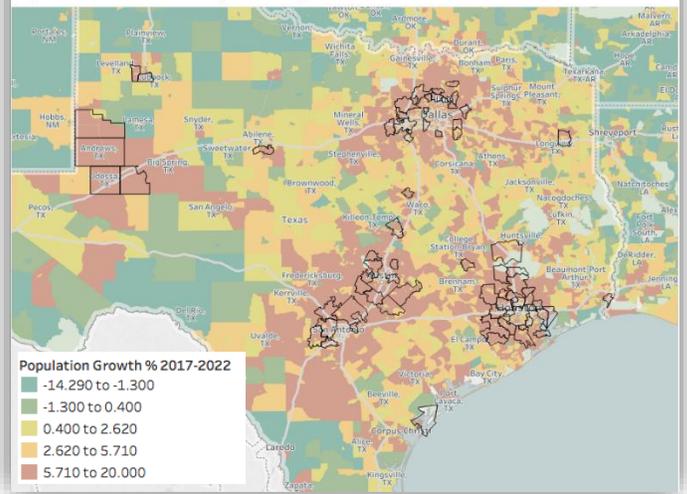
Fast-Growth vs. Non-Fast Growth Districts

Population growth and school district enrollment are highly correlated. As such, fast-growth districts are located within regions that are synonymous with strong current and future economic development prospects. **In total, 73 fast-growth districts are located within a county that has experienced positive employment gains since 2011. Furthermore, nearly every fast-growth district is located within or nearby a region that is forecasted to grow by at least 5.71% through 2022.**

Employment Growth (2011-2016)



Population Growth Forecast (2017-2022)



As much as regional growth benefits school districts, the school districts themselves are critical drivers of local economic growth.

1. They make Texas more competitive for businesses
2. They can better prepare students to enter the workforce
3. They make Texas more attractive for young families
4. They strengthen local housing markets
5. They improve the overall quality of life



Sources: AE, Bureau of Labor Statistics, Census Bureau, Tableau

The Texas Miracle: A Catalyst for Growth in Texas School Districts



A Catalyst for Growth in Texas School Districts

The Case for Fast Growing School Districts

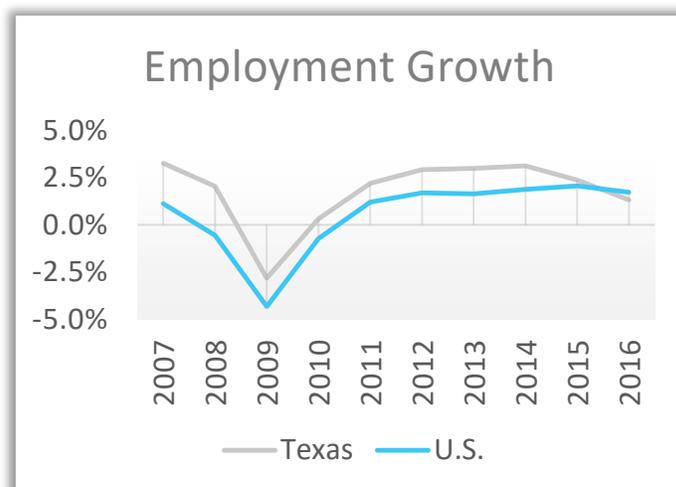
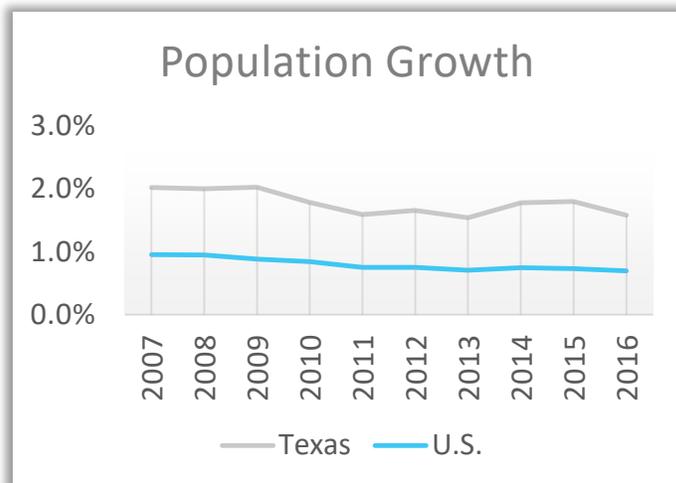
The strength of the Texas economy has been well documented. Texas has effectively established itself as a business friendly location with great quality of life. As a result, business investment is strong and talent recruitment is relatively easy.

The impact of Texas' robust growth – a phenomenon dubbed the “Texas Miracle” – is felt in all sectors of the economy. The Texas Miracle is responsible for growth in housing markets, retail sales, employment levels, population, GDP, and many other key economic indicators.

The Texas Miracle is also attributed with the growth of Texas school districts. **However, inasmuch as growth benefits school districts across the state, the school districts themselves are a perpetuating driver of the Texas Miracle.**

Texas has been growing by between 1.5% and 2.0% annually for the past decade, which stands in contrast to U.S. growth, which has been between 0.7% and 1.0% over the same time period.

Employment growth in Texas has outpaced the U.S. average in every year for the past ten years, except for the most recent year. While Texas grew employment by 1.3%, the reduction in oil markets did have a slowing effect on the economy.



435
The Number of Jobs Created in Texas Per Day (2016)

Sources: AE, Bureau of Labor Statistics, Census Bureau

A Catalyst for Growth in Texas School Districts

The Origin of Enrollment

In essence, the foundation of economic growth comes down to people. More people means more money in the form of wages. Those wages are spent in the local economy and generate more demand for goods and services. Increased demand for goods and services leads to job creation, and job creation means for money in the form of wages. This is the circle of life for economies.

This is what has led to Texas' success; Texas is good at adding people. Economies add people in two ways:

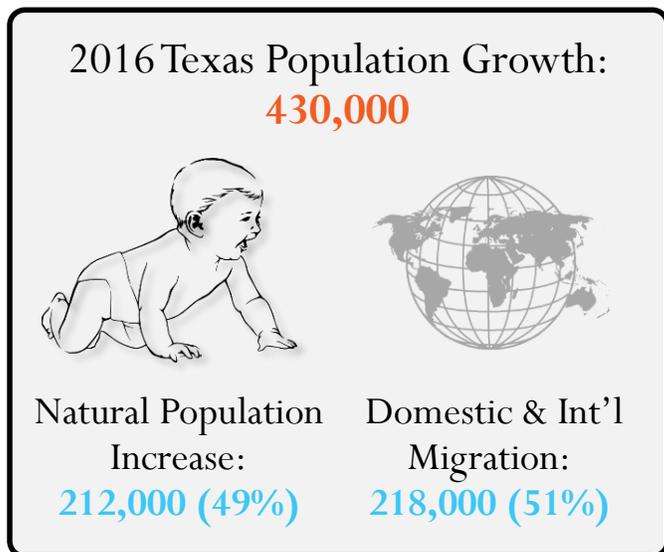
1. Naturally, through births over deaths
2. By migration, both domestic and international

Texas does both in equal measure. In 2016, Texas grew by 430,000 people, 49% originated from net births and 51% originated from people moving into Texas from other areas of the country and abroad.

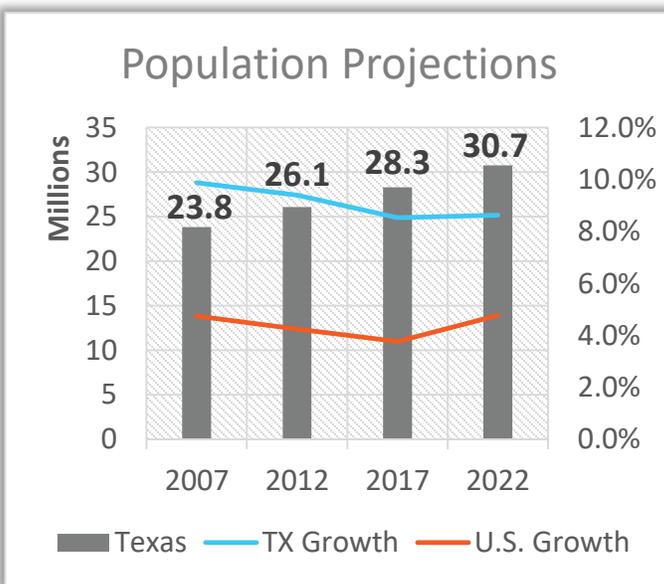
Both types of population growth have implications for Texas schools. Natural population growth is expanding the pipeline for future students. This type of growth can be easier to plan for since this information is known for years before the child enters the school system. Immigration can be harder to plan for since migration varies year by year and incoming students need to enter the school district that year.

As Texas continues to grow and attract people from all around the world, Texas school districts will continue to grow and face the challenges that are posed by fast growing regions. And there is no slowing in sight, projections show that population growth in Texas will reach 8.6% over the next five years, while the U.S. is only expected to grow by 4.8%.

The story of strong growth that has defined Texas' past is expected to similarly shape the state's economic future for years to come.



1,186 People/Day
Texas Population Growth (2016)



Sources: AE, Census Bureau

A Catalyst for Growth in Texas School Districts

Texas Housing Markets & School Districts

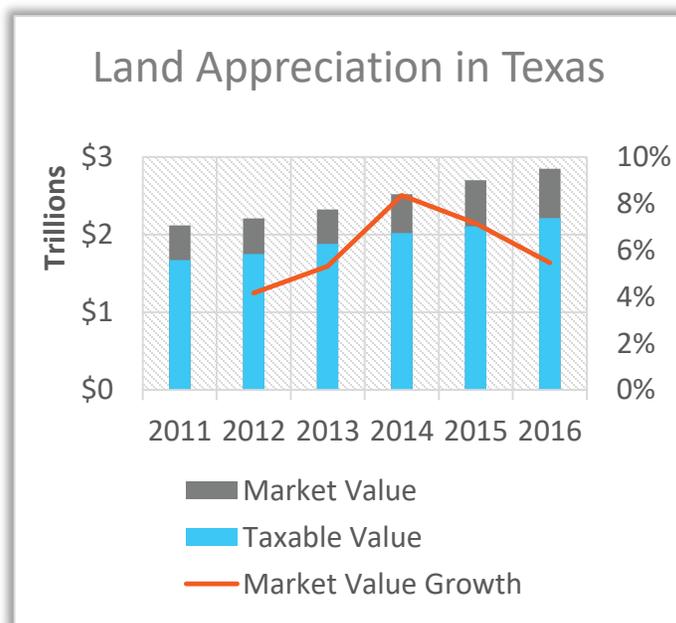
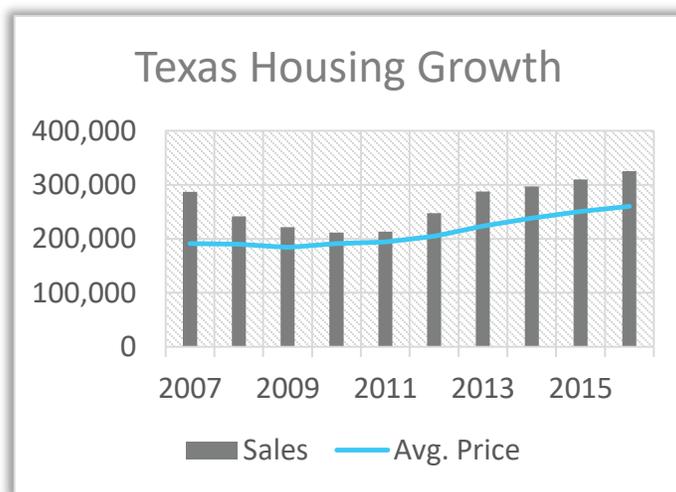
The Texas housing market was one of the last to enter the recession and one of the first to recover. Since 2011, both sales and average home prices have been growing steadily. In 2016, the average home price in Texas was \$260,000.

The strength of the housing market can furthermore be seen in the appreciation of land values. Texas properties have been appreciating by an average of 6% per year for the past 5 years. Housing demand fueled by constant growth and in-migration will sustain this trend for the foreseeable future.

Expectedly, the market value of land is highly correlated with the taxable value of land. The maintenance and operations (M&O) and interest and sinking (I&S) property taxes are applied to the taxable value. On average, the taxable value of land for M&O and I&S purposes is 79.2% of market value. Thus, appreciating land values are good for school districts – to an extent.

The I&S property tax rate is what is used to fund a school district's infrastructure. However, fast-growth regions are the same regions that are already at or near the 50-cent rate cap. FGDs are skewed towards the higher end of I&S rates, with the majority at \$0.30 per \$100 of valuation or higher. All other districts are skewed towards the lower end of I&S rates.

School districts are not able to control growth in their communities, they can only respond to growth by adding or adjusting facilities. **The 50-cent I&S rate cap and the decrease in IFA and EDA allotments artificially constrain school district facilities and make them unable to respond to growth.** The impact is ultimately felt by Texas students, who are subject to inadequate learning environments, specifically: overcrowded classrooms, deteriorating buildings, and the use of portable buildings, among other negative factors.



Districts At or Near 50-Cent Cap for I&S Tax Rate			
I&S Category	FSDs	Other Districts	
50c	14	18	
40c to < 50c	19	63	
30c to < 40c	22	136	
20c to < 30c	10	203	
10c to < 20c	8	214	
Up to < 10c	1	138	

Sources: AE, FGSC, Texas A&M Real Estate Center, Texas Comptroller

A Catalyst for Growth in Texas School Districts

Texas Vitality Increases Demand for School Quality

As stated previously, the robust growth in Texas is primarily driven by economic opportunity and high quality of life. The implication is that those who move to Texas either have or are in pursuit of high-quality and high-paying jobs. Since wage growth has been relatively stagnant across the country, total wages in aggregate are used to analyze the growth of economic opportunity.

In Texas, aggregate wages have been growing and outpacing the U.S. growth rate with only a few exceptions. Aggregate wage growth from migration is a considerable factor as 51% of population growth is comprised of domestic and international migrants.

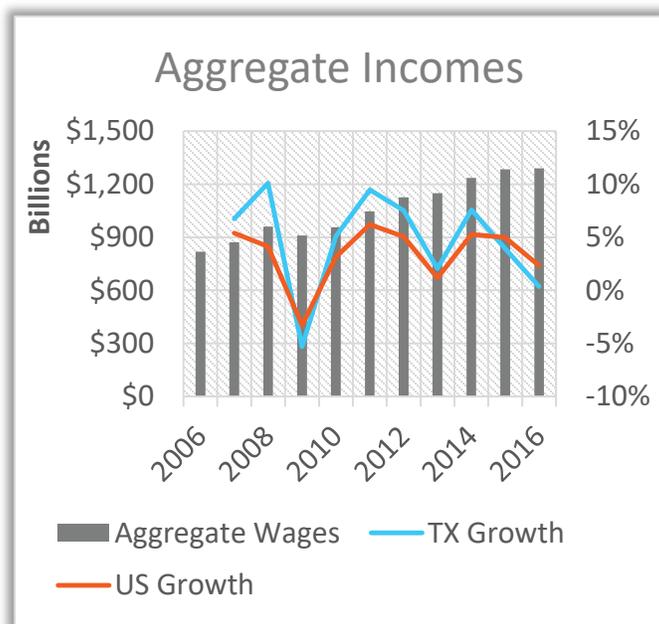
These people are coming to Texas and bringing their wealth and wages with them. In 2016, migration accounted for \$10.1 billion in additional wages earned in Texas, \$5.8 billion from domestic migrants and \$4.3 billion from international migrants.

High-quality jobs typically require certain levels of education. Highly educated parents tend to place a high importance on education for their children. Therefore, **as in-migration of highly educated people continues, more emphasis will be placed on the quality of schools across the state.**

The Double-Edged Sword of Growth

School districts are intrinsically tied to Texas' economic vitality and the positive benefits are accumulated in both directions. However, growth does not come without its own set of consequences. For school districts, the challenge is to continually keep pace with Texas' ever-growing economy.

Even so, the Texas Miracle is a good problem to have, the alternative would be much worse.



Sources: AE, Bureau of Economic Analysis

Economic Impact of School District Construction & Related Expenditures



Impact of School District Construction

Overall Impact of School District Construction

Of the many positive impacts that school districts bestow upon their communities, the impacts of construction and capital investment are among the most recognizable. The purchase of land, construction of new facilities, renovation of existing facilities, and the purchase of equipment all fuel local economic conditions.

The impacts measured in this study include:

1. Construction
2. Acquisition of Fixed Assets
3. Instructional Equipment Expenditures
4. Other Equipment Expenditures

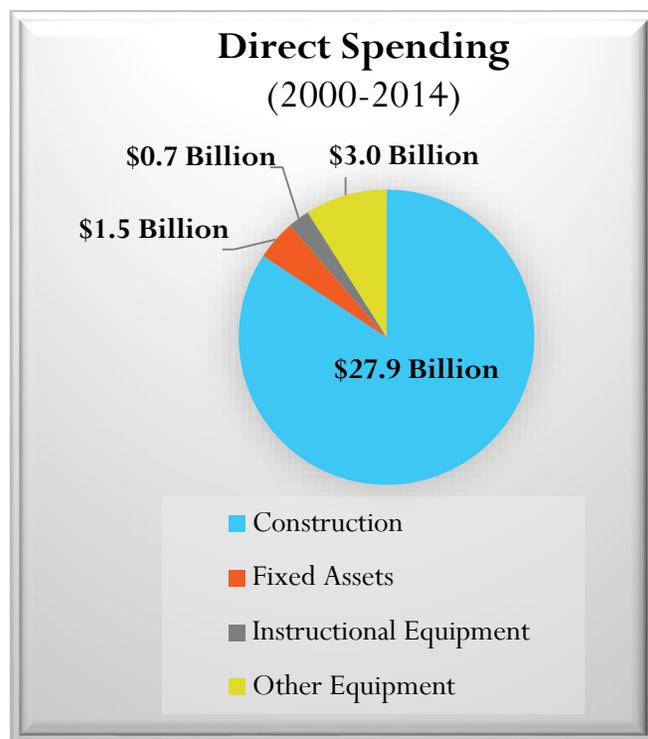
The data for these measures was obtained from the National Center for Education Statistics through the Elementary/ Secondary Information System. These figures represent the direct spending totals of FGDs across Texas.

However, these expenditures have impacts far beyond school districts. As billions of dollars are spent to erect new facilities and purchase equipment, jobs are created in the construction and wholesale industries. Moreover, hundreds of downstream vendors and suppliers see increased demand for their products and services, which originate with the direct spending from school districts.**

In total, 15 years of direct FGD spending in construction and related activities generates:

- \$70.5 billion in total economic activity
- 26,810 jobs supported each year
- \$24.7 billion in labor income
- 500+ industry sectors impacted across Texas

As FGDs expand to meet the needs of growing enrollment, not only are students provided with more adequate learning facilities, but billions of dollars of economic activity are generated and tens of thousands of jobs are supported each year.



Sources: AE, Implan, National Center for Education Statistics



Total Economic Output:
\$70.5 Billion



Average Jobs Impacted/Year:
26,810



Labor Income:
\$24.7 Billion



Business Sectors Impacted: 500+

*Results are 15-year totals and represent 2017 dollars.

**See Appendix II for more on the methodology used to calculate the economic impacts associated with construction and related expenditures.

Impact of School District Construction

Impact of Construction

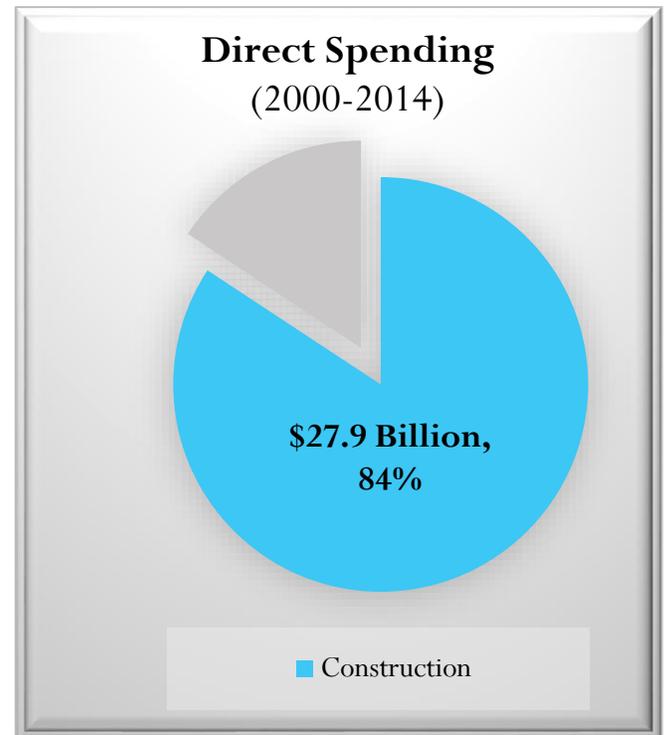
At 84%, construction accounts for the largest portion of spending detailed in this section. As defined by the National Center for Education Statistics, construction spending includes expenditures for the construction of fixed assets.

In the past 15 years, from 2000 to 2014, FGDs have invested approximately \$27.9 billion into the construction of fixed assets. Statewide, the total investment into fixed assets during that same time period was \$48.7 billion. **FGDs, or 7% of all school districts, comprise 36% of all school construction expenditures in Texas.**

In total, 15 years of direct FGD spending in construction generates:

- \$64.0 billion in total economic activity
- 25,880 jobs supported each year
- \$23.8 billion in labor income
- 380 industry sectors are impacted by greater than \$1 million

**7% of Districts Comprise 36%
of All School Construction
Spending**



**Total Economic Output:
\$64.0 Billion**



**Average Jobs
Impacted/Year:
25,880**



**Labor Income:
\$23.8 Billion**



**Business Sectors
Impacted by Greater
than \$1 Million: 380**

**Results are 15-year totals and represent 2017 dollars.*

Sources: AE, Implan, National Center for Education Statistics

Impact of School District Construction

Impact of Acquisition of Fixed Assets

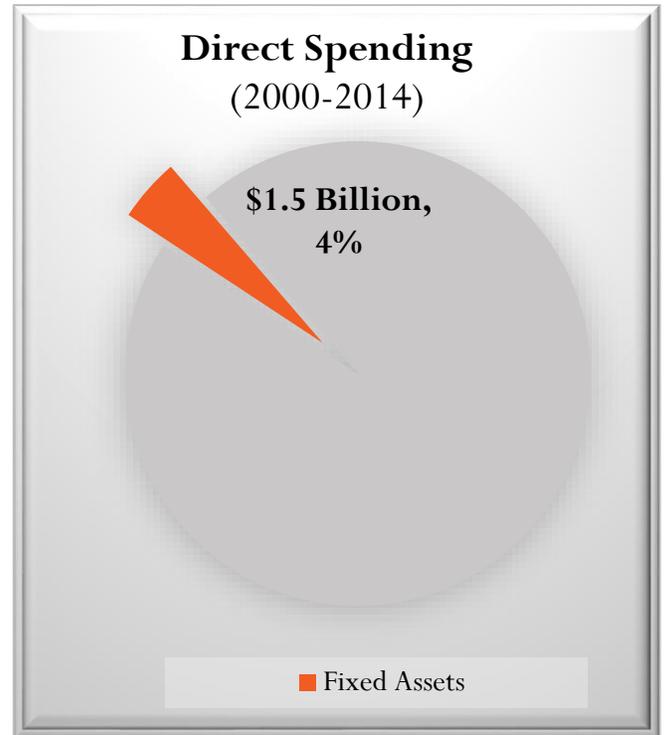
Acquisition of fixed assets accounts for 4% of spending detailed in this section. As defined by the National Center for Education Statistics, acquisition of fixed assets includes all expenditures used to acquire already existing fixed assets, such as land and existing buildings.

In the past 15 years, from 2000 to 2014, FGDs have invested approximately \$1.5 billion into the acquisition of fixed assets. Statewide, the total investment into the acquisition of fixed assets during that same time period was \$2.1 billion. **FGDs, or 7% of all school districts, comprise 41% of all acquisition of fixed assets in Texas.**

In total, 15 years of direct FGD spending in acquisition of fixed assets generates:

- \$2.1 billion in total economic activity
- 475 jobs supported each year
- \$422.1 million in labor income
- 120 industry sectors are impacted by greater than \$1 million

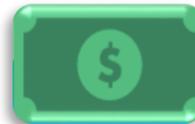
7% of Districts Comprise 41% of All Acquisition of Fixed Assets



**Total Economic Output:
\$2.1 Billion**



**Average Jobs
Impacted/Year:
475**



**Labor Income:
\$422.1 Million**



**Business Sectors
Impacted by Greater
than \$1 Million: 120**

**Results are 15-year totals and represent 2017 dollars.*

Sources: AE, Implan, National Center for Education Statistics

Impact of School District Construction

Impact of Instructional Equipment Expenditures

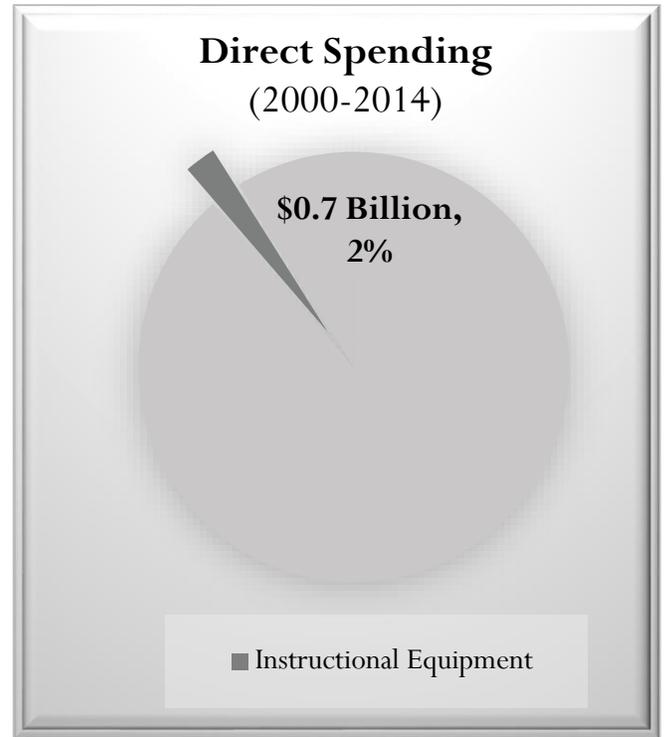
Instructional equipment expenditures account for 2% of spending detailed in this section. As defined by the National Center for Education Statistics, instructional equipment includes expenditures for all instruction equipment recorded in the general and operating funds under “instruction” line item.

In the past 15 years, from 2000 to 2014, FGDs have invested approximately \$782.7 million into the purchase of instructional equipment. Statewide, the total investment into instructional equipment during that same time period was \$2.1 billion. **FGDs, or 7% of all school districts, comprise 27% of all spending for instructional equipment.**

In total, 15 years of direct FGD spending on instructional equipment generates:

- \$914.8 million in total economic activity
- 95 jobs supported each year
- \$100.1 million in labor income
- 35 industry sectors are impacted by greater than \$1 million

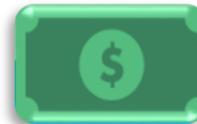
7% of Districts Comprise 27% of All Instructional Equipment Expenditures



Total Economic Output: \$914.8 Million



Average Jobs Impacted/Year: 95



Labor Income: \$100.1 Million



Business Sectors Impacted by Greater than \$1 Million: 35

**Results are 15-year totals and represent 2017 dollars.*

Sources: AE, Implan, National Center for Education Statistics

Impact of School District Construction

Impact of Other Equipment Expenditures

Other equipment expenditures account for 9% of spending detailed in this section. As defined by the National Center for Education Statistics, instructional equipment includes all other capital outlay expenditures and equipment.

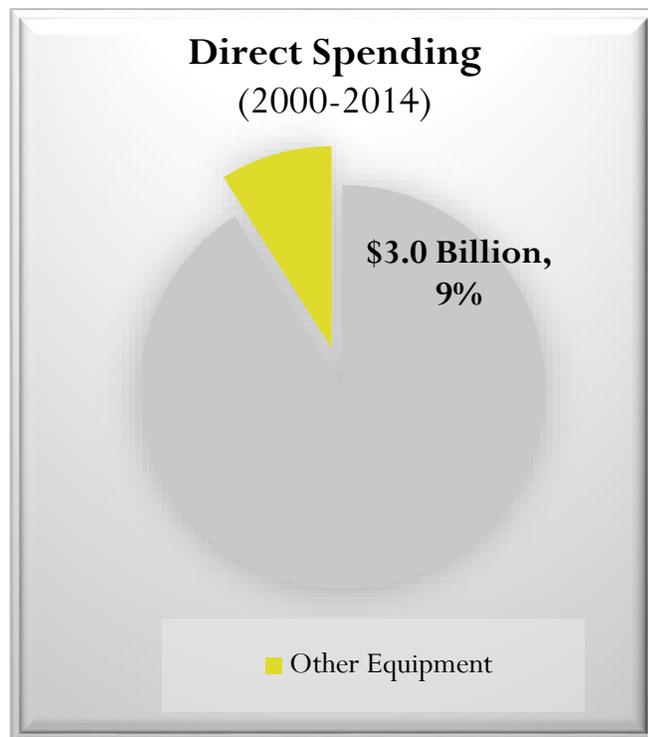
In the past 15 years, from 2000 to 2014, FGDs have invested approximately \$3.0 billion into other equipment purchases. Statewide, the total investment into other equipment during that same time period was \$5.8 billion.

FGDs, or 7% of all school districts, comprise 34% of all spending for other equipment and capital outlays.

In total, 15 years of direct FGD spending on other equipment generates:

- \$3.5 billion in total economic activity
- 360 jobs supported each year
- \$378.6 million in labor income
- 90 industry sectors are impacted by greater than \$1 million

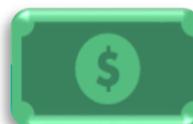
7% of Districts Comprise 34% of All Other Equipment Expenditures



Total Economic Output: \$3.5 Billion



Average Jobs Impacted/Year: 360



Labor Income: \$378.6 Million



Business Sectors Impacted by Greater than \$1 Million: 90

**Results are 15-year totals and represent 2017 dollars.*

Sources: AE, Implan, National Center for Education Statistics

School District Impacts on Housing Markets



School District Impact on Housing Markets

School District Impacts on Housing Values

It should come as no surprise that school districts have influence over housing values. Particularly in Texas, where schools are funded primarily by property taxes. Finding the right school district is all about finding the right place to live.

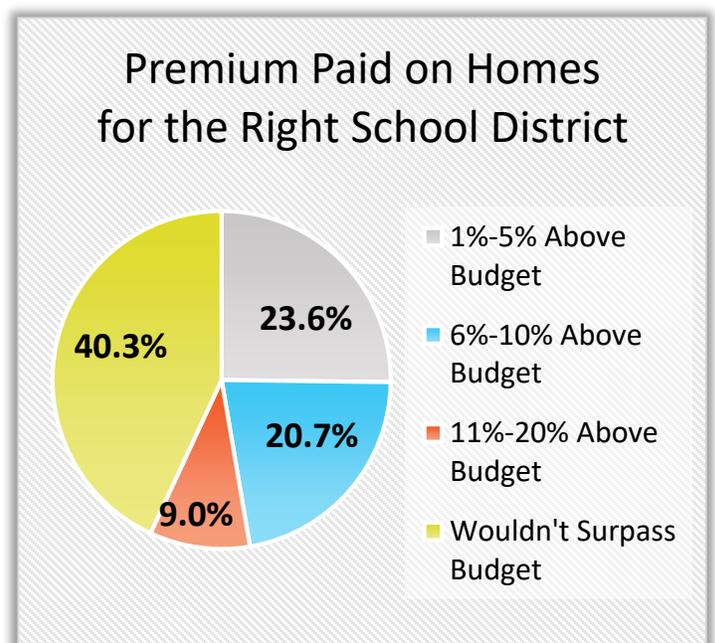
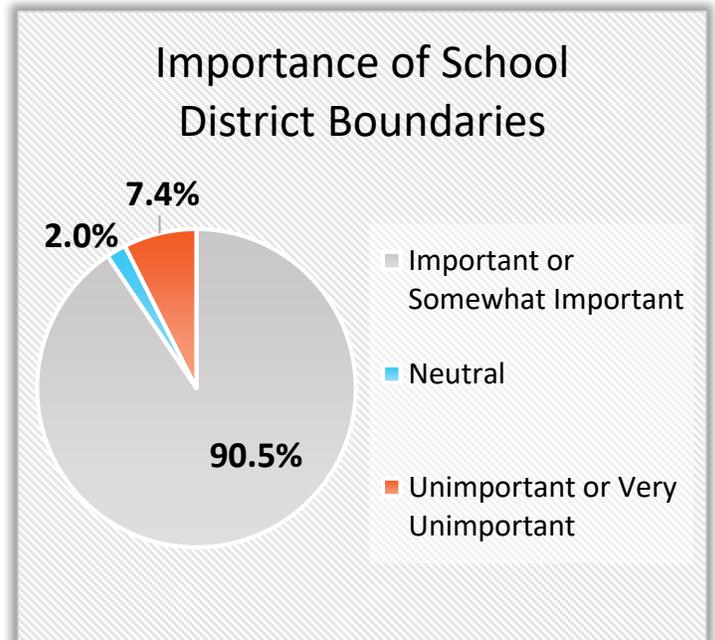
Of home buyers that indicated school boundaries will impact their decision in any way, the vast majority, 91%, stated that school boundaries will be an important or somewhat important consideration.

With such emphasis on the right place to live, housing prices increase in school district boundaries to reflect the increased demand in those areas. A study conducted by Redfin found that identical homes located a short distance apart but separated by a school district boundary could vary in price by as much as \$130,000.

The study looked at homes on Multiple Listing Services (MLS) that sold between May 1st and July 31st, 2013 to calculate median sales price and price per square foot for homes sold within school district boundaries. The study sample included 10,811 school zones, 57 metro areas, and 407,509 home sales.

This is how school districts impact home prices:

- 24% of home buyers indicated they would spend up to 5% above their budget to be in the right school district.
- 21% of home buyers indicated they would spend up to 10% above their budget to be in the right school district.
- 9% of home buyers indicated they would spend up to 20% above their budget to be in the right school district.



Source: Redfin

School District Impact on Housing Markets

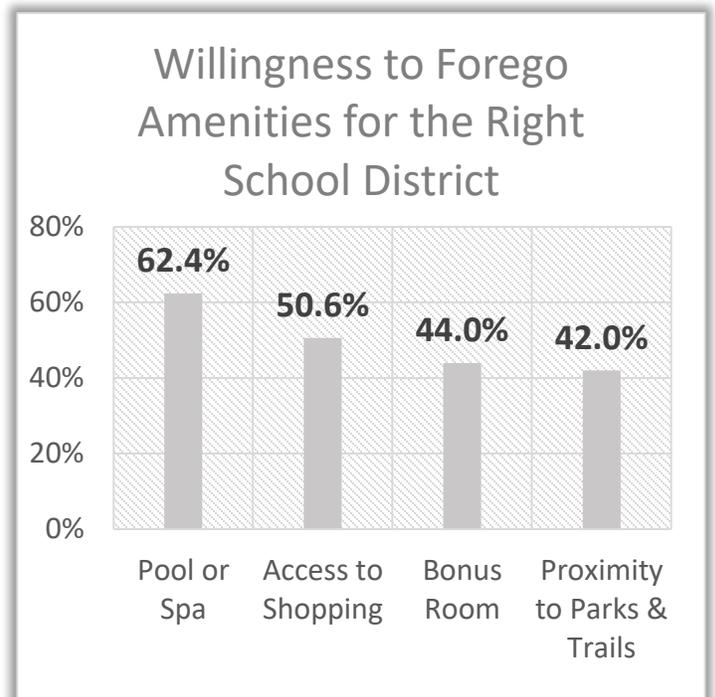
Importance of Schools for Housing Decisions

A Realtor.com survey found that home buyers will not only pay more, but they will forego certain amenities to be in the right school district. Homes located within high performing school districts are not necessarily bigger, better quality, or more conveniently located. For home buyers that consider school boundaries to be important, they are willing to give up amenities to be in the right school district, including: pools, access to shopping, a bonus room, or close proximity to nearby parks and trails.

The quality of schools is also an important factor. The Redfin study looked at Texas neighborhoods and found a strong positive correlation between housing values and school performance. In some cases that difference in housing prices could be as much as 70% when comparing exemplary schools to low performing schools. On average, the correlation equates to \$50 more per square foot for homes located in top-ranked schools compared to average-ranked schools. Moreover, areas with high performing schools were not hit as hard during the recession and recovered faster.

Interestingly, it is not just families with school-age children that bend the cost curve. Around half of home buyers that do not have children and do not intend to have children still prefer to be within a school district to enjoy the appreciation in home values associated with school districts.

It is worth noting that there are many other factors in play. It is not entirely clear if high home values lead to better schools, or if schools impact location decisions and subsequently increase housing values. Likely, both forces are at play, but the magnitude of each depends on the area in question.



70% or \$50/SF

Premium Paid on Homes in High-Performing School Districts

1/2

Non-Parent Home Buyers That Prefer to Live within School District Boundaries

Sources: Realtor.com, Redfin

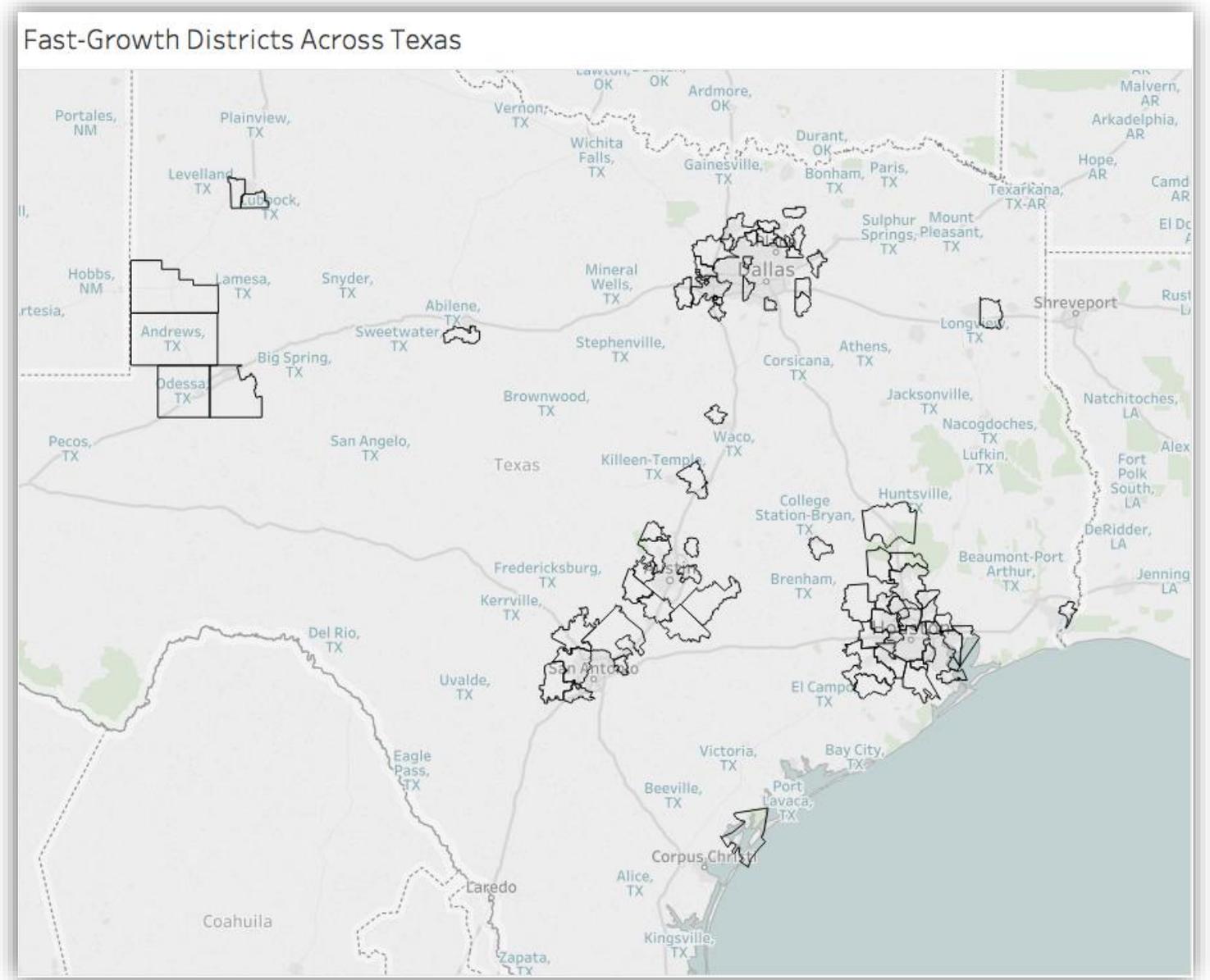
An Economic Comparison: Fast-Growth vs. Non-Fast Growth School Districts



Fast-Growth vs. Non-Fast Growth Districts

FGD vs Non-FGD Comparison

Given that growth in district enrollment is highly correlated with population growth, it should come as no surprise that fast-growth districts are located within regions that exemplify traits that are synonymous with economic development. The following section explores these traits graphically and illustrates the connection between fast-growth districts and positive economic development indicators.



Sources: AE, National Center for Education Statistics, Tableau

Note: Each map in the following section includes 74 of the 75 fast-growth districts. This is due to the fact that the South Texas Independent School District is a magnet school district and therefore not included in Census Bureau Shapefiles

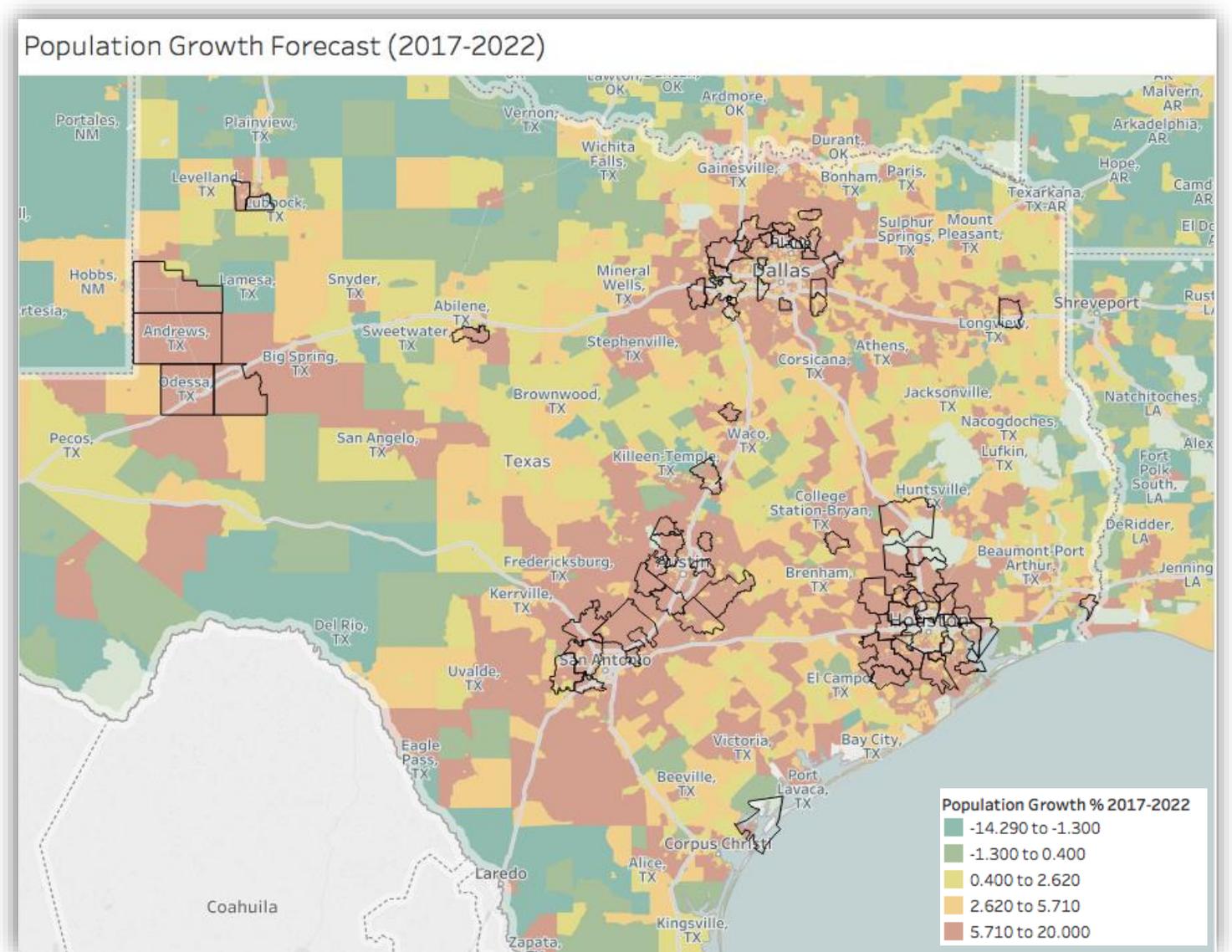
Fast-Growth vs. Non-Fast Growth Districts

Population Growth Forecast

One of the primary conditions for fast-growth districts is district enrollment. Therefore, regions surrounding fast-growth districts have been identified as the fastest growing areas within the state.

Looking towards the future, fast-growth districts will remain some of the fastest growing population centers in Texas. The map below illustrates forecasted population growth by census block through 2022.

Nearly every fast-growth district is located within or nearby a region that is forecasted to grow by at least 5.71% through 2022.



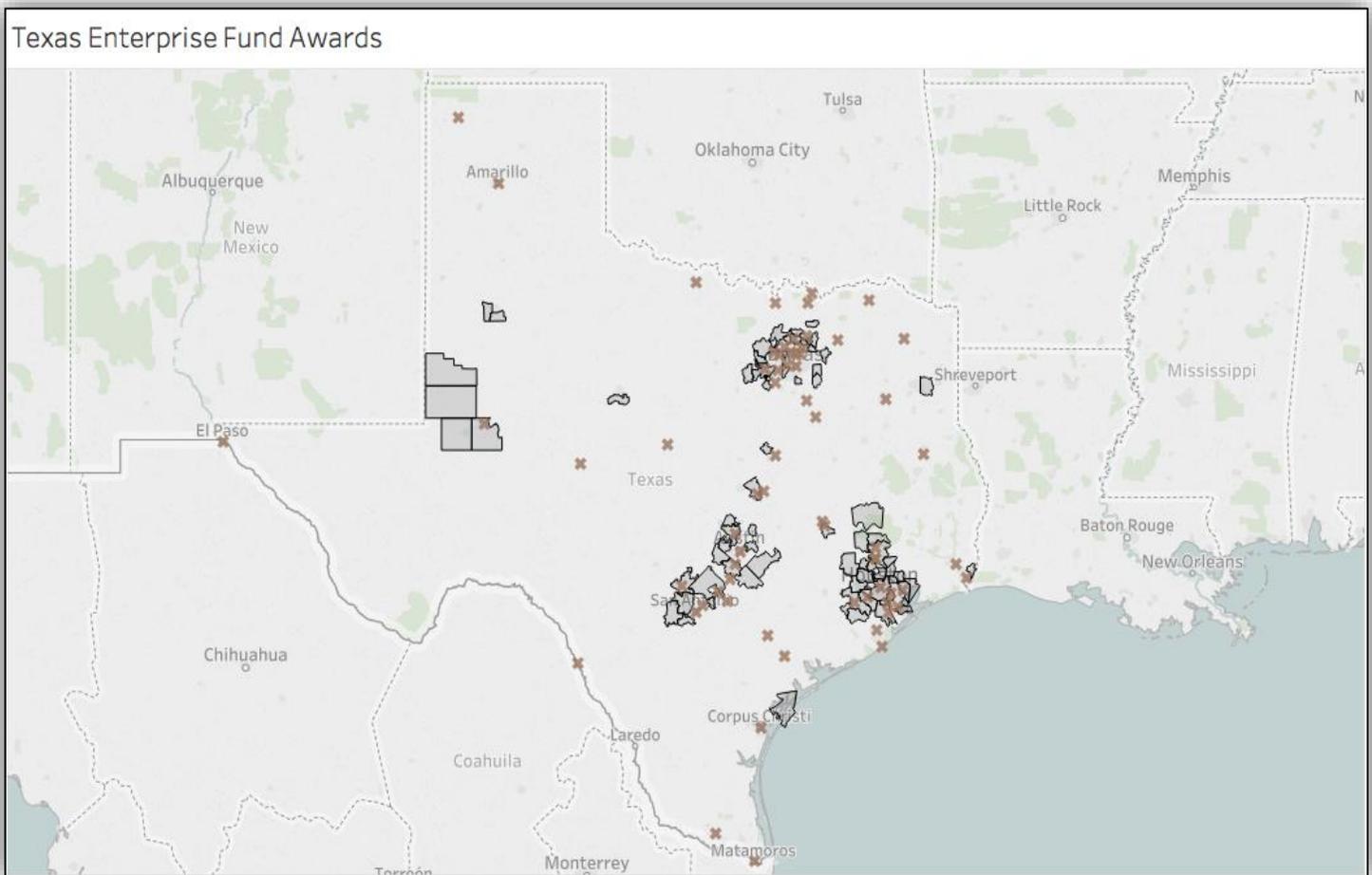
Sources: AE, Census Bureau, Tableau

Fast-Growth vs. Non-Fast Growth Districts

Texas Enterprise Fund (TEF)

The Texas Enterprise Fund is a primary driver of economic development and employment throughout the state. The TEF is a cash grant program that is used as a financial incentive tool for projects that offer a significant amount of capital investment and job creation prospects. To qualify for an award, a Texas site must be competing with another viable out-of-state option. Since its creation in 2004, TEF has awarded over 140 grants totaling nearly \$600 million across the state. In total, these projects have invested more than \$27 billion and created more than 80,000 jobs.

Unsurprisingly, fast-growth school districts are clustered around site recipients of TEF awards. In total, 70 fast-growth districts are within direct proximity of a town or county that has received a TEF award.



Note: Each X represents an city or county that has received a TEF award.

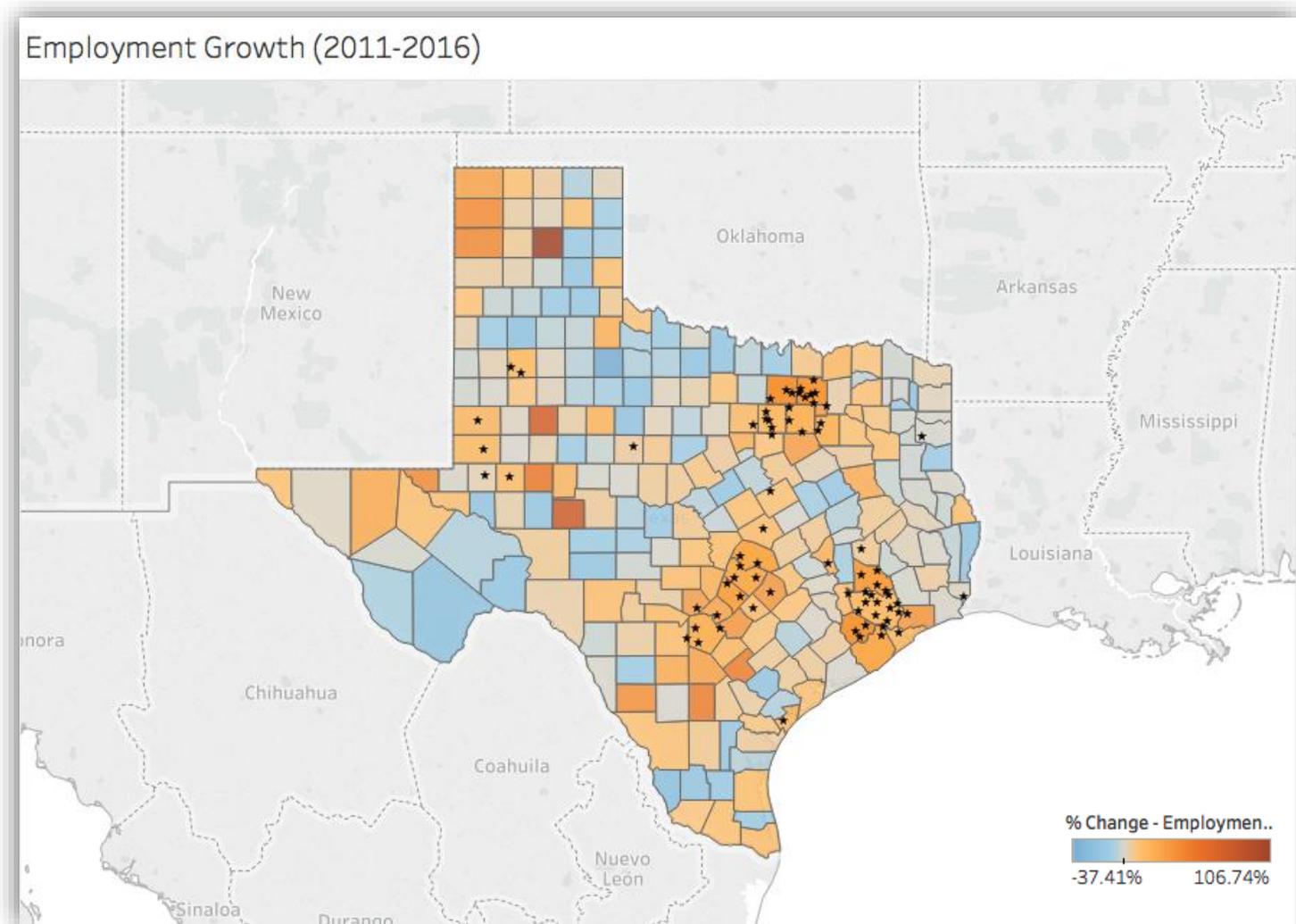
Sources: AE, Texas Office of the Governor, Tableau

Fast-Growth vs. Non-Fast Growth Districts

Employment Growth

Fast-growth school districts are heavily concentrated within Texas counties that are creating jobs.

In total, 73 fast-growth districts are located within a county that has experienced positive employment gains since 2011.



Note: Each star indicates the location of a fast-growth district

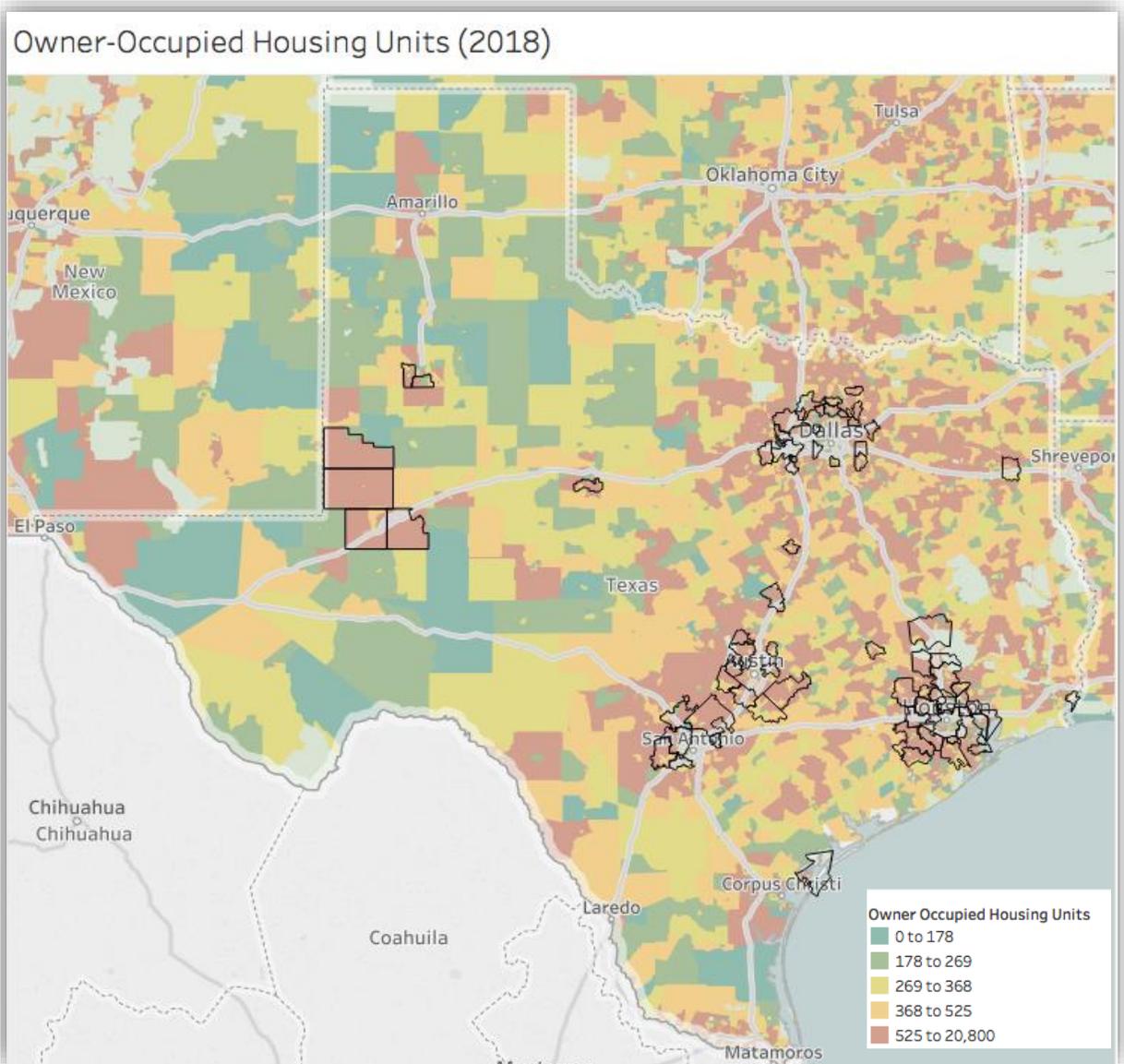
Sources: AE, Bureau of Labor Statistics, Tableau

Fast-Growth vs. Non-Fast Growth Districts

Property Tax Revenue

In Texas, property taxes are set and collected by local jurisdictions, which rely on property tax revenues to fund local services, including school districts. Home ownership plays a crucial role for Texas school districts, as it is a primary driver of school district revenues.

Owner-occupied housing units are one way to assess home ownership levels in Texas, and thus, serve as a proxy for property tax flows. The map below illustrates the prevalence of owner-occupied housing units throughout Texas. **Overwhelmingly, regions with high concentrations of owner-occupied dwellings overlap with fast-growth districts.**



Sources: AE, Census Bureau, Tableau

Implications for Economic Development



Implications for Economic Development

A Problem With No Easy Solution, but Dire Costs

The state of Texas prides itself on its innovative and forward-thinking approach to economic development. The term economic development refers to a region's efforts to improve the quality and well-being of the region. This is accomplished by attracting and retaining businesses, and creating jobs and economic opportunity.

How do school districts play into the framework of economic development? Strong performing school districts are at the top of the list for families looking to relocate. A job is typically the initial decision factor, but given a choice between two locations, school districts will factor heavily in the final decision. In other words, **if a community is not investing in its school districts, then it cannot expect people or businesses to invest in them.**

The problem is this: FGDs are increasingly unable to respond to the rapid growth within their community due to the I&S 50-cent rate cap, often referred to as the "50-cent debt test".

For districts already up against the rate cap, schools find themselves lacking in ways to fund facility improvements, additions, and renovations. Those districts are left looking for other, less effective, means to fund big ticket items.

In reality, FGDs either use less effective funding alternatives, like capital appreciation bonds that leave them in a worse financial position in the long run, or they settle for short-term solutions that do not actually address the district's needs.

By foregoing adequate facilities and equipment, students are provided a sub-optimal learning environment which impacts overall student performance. As many studies show, student performance in K-12 is linked to lifelong skills attainment and earning potential.

I&S Eligible Purchases

- Construction of New Buildings
- Renovation of Existing Buildings
- Land
- Program-Specific Equipment
- Technology
- School Buses

50-Cent Debt Test

The 50-cent debt test is a measure that shows how close a district's I&S rate is to the rate cap of 50 cents per \$100 of valuation. The I&S rate is the portion of a district's property tax rate that funds debt repayment for the purchase of major items, such as facilities and infrastructure.

To pass the 50-cent debt test, districts must show the ability for principle and interest payments on proposed and existing debts to be met with a rate that does not exceed 50 cents per \$100 of valuation.

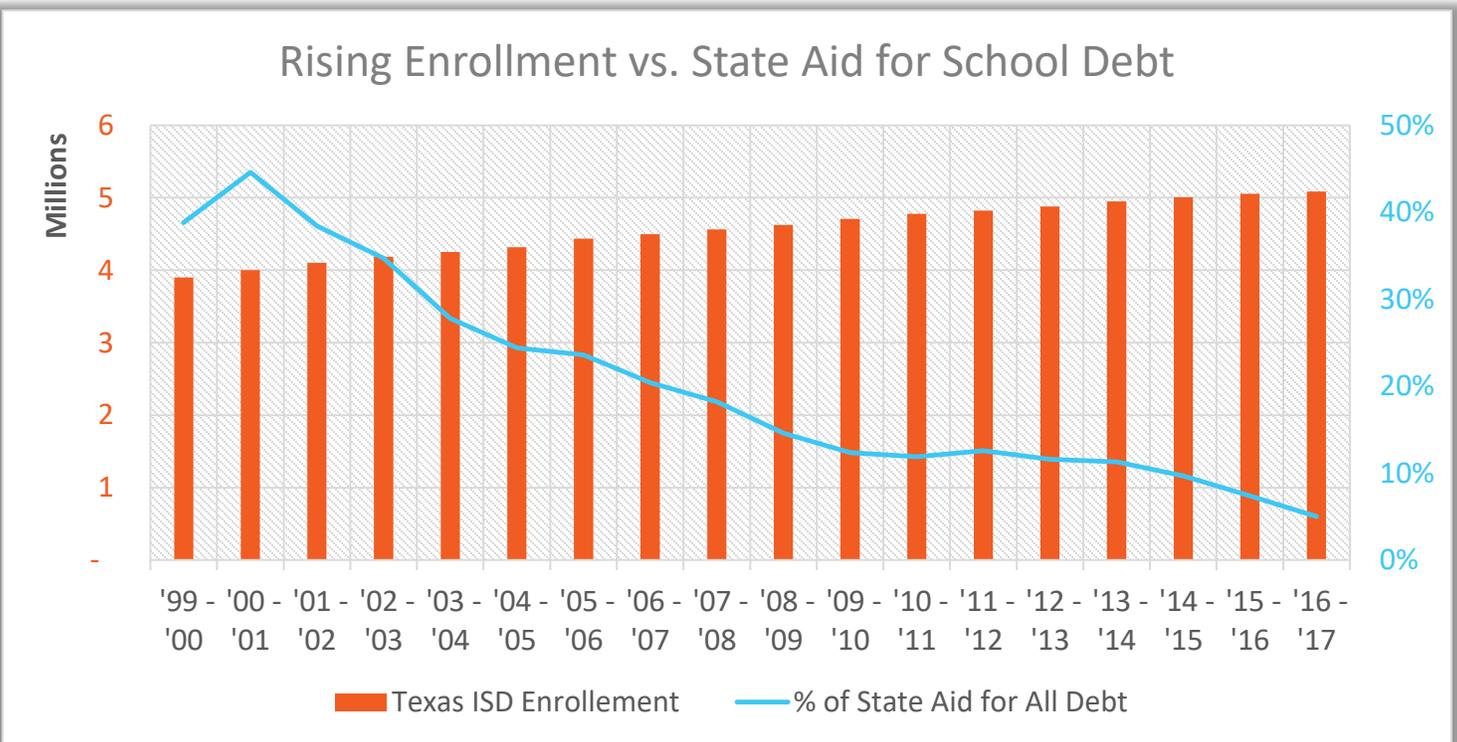
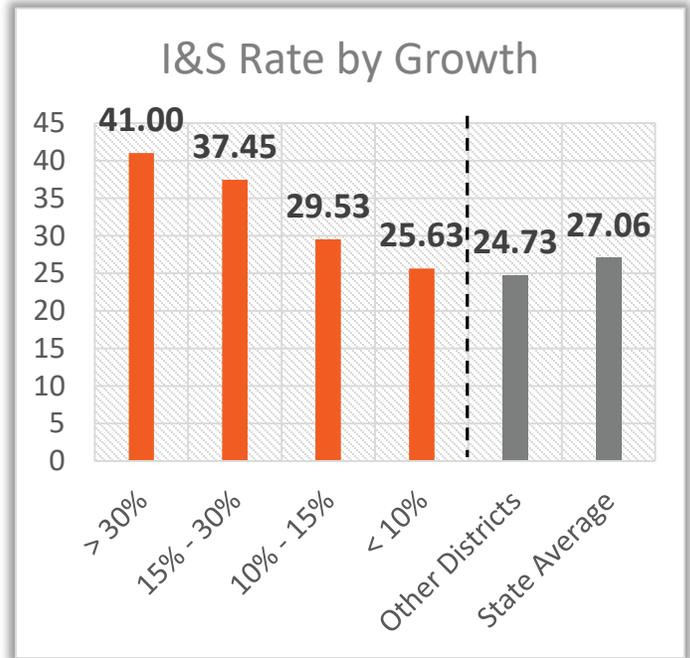
Implications for Economic Development

The 50-Cent Debt Test Unduly Impacts FGDS

The fastest growing school districts – the districts most in need of new facilities – are the same districts that are least likely to be able to fund those projects. The average I&S rate for FGDS is \$0.3086 per \$100 of valuation compared to \$0.2501 for non-FGDS.

The correlation is significant; the faster a region is growing, the more likely it is that the region is at or near the 50-cent rate cap. Compared to the non-fast-growth district's average I&S rate of 24.73 cents per \$100 of valuation, all categories of FGDS have higher I&S rates.

To further exacerbate the problem, the State is investing fewer dollars each year towards school district debt payments. State aid peaked at 44.6% in the 2000-2001 academic year. Since that time, state aid has fallen to only 5.0% in the most recent 2016-2017 academic year.



Sources: AE, FGSC

Implications for Economic Development

State Support Exists, but with Antiquated Terms

The Texas Legislature has acknowledged the difficulties that school districts face when financing is needed to erect or upgrade infrastructure. In particular, two programs exist to offset the growing burden of infrastructure financing:

1. Instructional Facilities Allotment (IFA)
2. Existing Debt Allotment (EDA)

IFA - Authorized under HB4 in the 1997 legislative session, districts can apply for IFA awards to pay for *future* debt service obligations to cover new instructional facilities, additions, or renovations. The awards are based on wealth per student, however, in recent years, the applications for funds have exceeded the appropriations made by the State. The effect is that fewer districts qualify for funding each year.

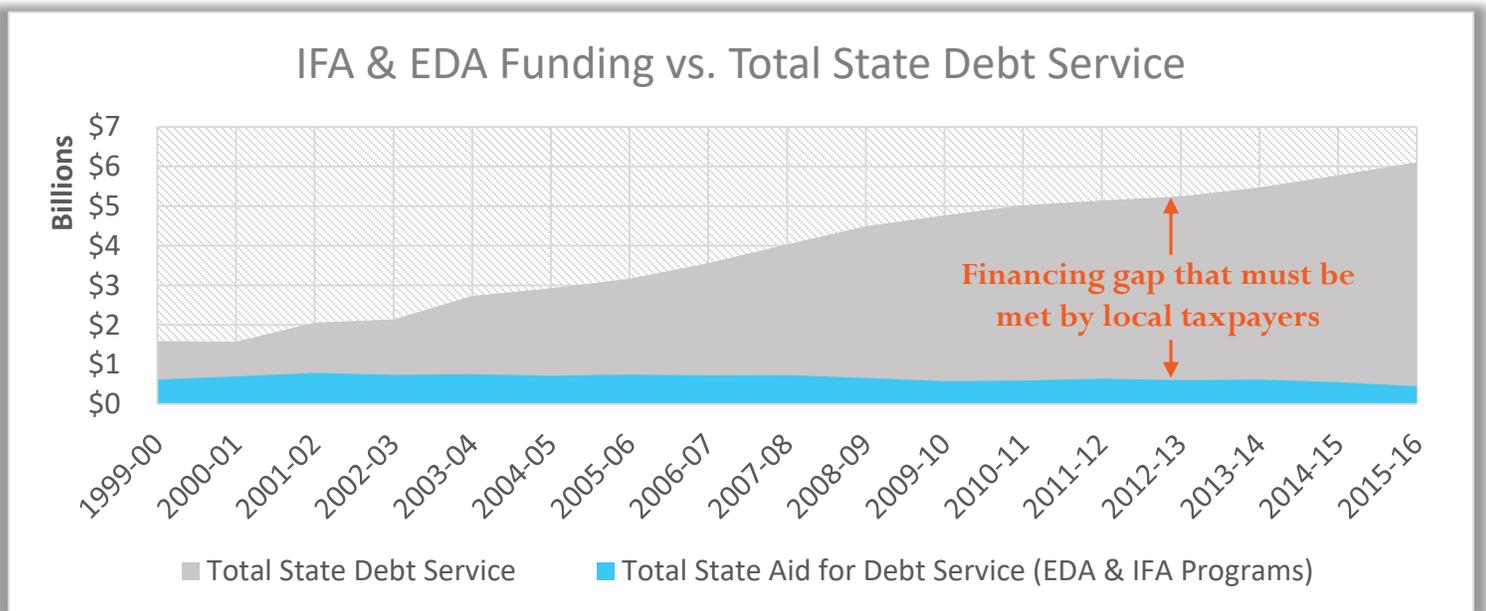
EDA – Authorized under SB4 in the 1999 legislative session, districts can apply for EDA to help districts pay debt service on *existing* debt. EDA was created to cover the gap for districts that did not qualify for IFA.

The problem with these programs does not lie with their form or function, but rather with their lack of modernity. These programs have seen little, if any, updates in twenty years.

The crux of the problem is that the awards were created as fixed amounts that are not proportional to a district's needs. Therefore, as property values increase, the State's share for debt service relief decreases. **The end result is that the tax burden shifts increasingly toward school districts and their local taxpayers.**

Given that no meaningful adjustments have been made to these programs, the percent of students enrolled in schools that receive state benefit has decreased from 91% to 43% in the past 16 years.

FGDs are particularly vulnerable to this decrease in IFA and EDA funding because they tend to be districts with rising property values. Only 36% (27 of 75) FGDs receive State support through IFA or EDA programs.



Sources: FGSC, Texas Education Agency

Implications for Economic Development

School Districts: A Tool For Economic Development

The most obvious reason to invest in Texas schools is because it is an investment into students, and thus, the future of the state. However, there are many other reason to do so, and economic development organizations are wise to understand the potential that school districts hold for community growth.

Enhanced funding options for Texas schools can drive local economic growth in five primary ways:



1. Making Texas more competitive for business investment



2. Preparing students to enter the workforce



3. Making Texas more attractive for young families



4. Strengthening local housing markets



5. Improving the overall quality of life

Appendix



Appendix

I. Additional Definitions

II. Methodology

III. School District Performance

Appendix

I. Additional Definitions

Multipliers - are used to calculate the economic impacts associated with a particular activity. Multipliers are unique to the region being studied and used to calculate the specific effects brought about by a change to a regional economy. For instance, a positive economic activity will have a multiplier greater than 1, which means that the economic impacts are greater than just the direct expenditures from the analyzed activity. Put simply, a multiplier is the ratio that defines the total economic output created for each dollar invested.

Jobs - are created through induced effects and are full-time equivalents.

Labor Income - includes all forms of employment income. This includes both wages and benefits.

Appendix

II. Methodology

- For the calculation of economic impacts related to construction, data was collected for each year from 2000 through 2014, which is the most recent data available as of the writing of this report.
- AngelouEconomics employed the 2015 IMPLAN (**IM**Impact Analysis for **PLAN**ning) model.
- All economic impact figures represent 2017 U.S. dollars.
- The total economic output is a summation of direct, indirect, and induced impacts, which are defined as follows:



- The average district wages that are presented in “The Local Impact” section were calculated by dividing the total wages paid in each district by the total number of staff employed in each district. This includes all staff on payroll, including: administrators, teachers, counselors, custodians, etc.
- Data for the South Texas ISD was not uniformly available from all data sources. This is due to the fact that South Texas ISD is a magnet school district. As such, a unique profile was not able to be included for this district in “The Local Impact” section of the report.

Appendix

III. School District Performance

Each year, the Texas Education Agency releases an assessment of school district performance across the state known as the Texas Academic Performance Reports. To build the reports, a wide range of information is collected on the performance of students within each school and district in Texas. Included in the report are accountability ratings for each district in Texas.

In 2016, fast-growth districts performed exceptionally well and achieved the highest mark in 74 of 75 districts.

2016 Accountability Ratings		
Rating	Fast-Growth Districts	Other Districts
Met Standard	74 (99%)	1,033 (91%)
Met Alternative Standard	0	30 (3%)
Improvement Required	1 (1%)	56 (5%)
Not Rated	0	13 (1%)

Sources: FGSC, Texas Education Agency

Rating Definitions:

Met Standard indicates acceptable performance and is assigned to districts and campuses that meet the targets on all required indices for which they have performance data.

Met Alternative Standard indicates acceptable performance and is assigned to eligible charter districts and alternative education campuses (AECs) that are evaluated by alternative education accountability (AEA) provisions. To receive this rating, eligible charter districts and AECs must meet modified targets on all required indices for which they have performance data.

Improvement Required indicates unacceptable performance and is assigned to districts and campuses, including charter districts and AECs evaluated under AEA provisions that do not meet the targets on all required indices for which they have performance data.

Not Rated indicates that a district or campus did not receive a rating for a variety of potential ratings.

About AngelouEconomics

AngelouEconomics partners with client communities and regions across the United States and abroad to candidly assess current economic development realities and identify opportunities.

Our goal is to leverage the unique strengths of each region to provide new, strategic direction for economic development.

As a result, AngelouEconomics' clients are able to diversify their economies, expand job opportunities and investment, foster entrepreneurial growth, better prepare their workforce, and attract 'new economy' companies.

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