



# GOOSE CREEK

## CONSOLIDATED INDEPENDENT SCHOOL DISTRICT



## The Big Picture on Paying for Our Schools

The business of funding public schools seems like simple math: local property tax on a house + state aid = the cost of educating one child. Multiply by 21,000 and you have the amount needed to run Goose Creek Consolidated Independent School District.

### Simple math. Wrong answer.

The system of funding schools in Texas is far more complicated than  $1 + 1 = \$170$  million — the amount that Goose Creek CISD has budgeted in its general fund to educate each student in the 2010-11 school year. In this publication, we will discuss the complicated formulas and economic factors that add up to the district's financial equation and the current press for school finance reform in the state Legislature.

### Our Bottom Line

The 2010-2011 Goose Creek CISD budget is about \$209 million — composed of \$169,993,200 for the General Fund, \$12,264,352 for the Child Nutrition Fund, and \$26,879,500 for the Debt Service Fund for a total of \$209,137,052, an increase of about \$355,000 over last year's total.

To balance the 2010-2011 budget, all departmental budgets were decreased by 5 percent from the previous year's budget.

Goose Creek CISD's budget reflects a maximum tax levy of \$1.04/per \$100 valuation for maintenance and operations, the same as last year.

The debt service budget reflects a tax increase of 2¢, up to \$.26213/per \$100 valuation. This was done to boost revenue in light of a nearly \$1.3 billion decline in assessed property values in the past two years.

For the record, the school district projected that when the 2005 bonds were all sold, that residents should expect a maximum debt service tax rate of 35 cents. To date, Goose Creek CISD has stayed under that mark.

The total tax rate for 2010-2011 is \$1.30213/per \$100 valuation.

The general fund budget includes a 2 percent from midpoint salary increase for teachers, registered nurses, librarians, administrators, paraprofessionals, and auxiliary personnel. Sixty-seven percent of the total money being spent on raises is going to teachers.

Goose Creek CISD, the 57th largest school district in Texas, encompasses 128 square miles and over two counties. The district serves more than 21,000 students at its 26 campuses, and employs nearly 3,000 folks, making Goose Creek CISD one of the largest employers in the greater Baytown area.

### Legislative limbo

After years of promises, the state of Texas remains tied in knots by public school finance.

Efforts to improve student achievement resulted in accountability ratings, class size limits, increased graduation requirements and other mandates, most of which come with significant price tags. Funding formulas have been rewritten to narrow revenue gaps between districts and to reduce state funding for districts with growing tax bases. It was only a matter of time before the two collided — with the school children and the taxpayers of Texas caught in between.

Many people believe that when their property values and corresponding tax bill goes up, Goose Creek CISD gets the extra tax money. It doesn't. Under the current system, the increased local money simply replaces money that would have come from the state.

### Hamstrung by House Bill 1

Enacted in 2006, House Bill 1 placed Goose Creek CISD on a fixed income when it comes to the state portion of public education dollars.

There are two components of local school property taxes: Maintenance and Operations (M&O) and debt service (I&S).

HB 1 only dealt with local M&O tax efforts. It reduced the school district M&O property tax rate, which is what we use for payroll, supplies and materials, contracted services, and capital outlay, from \$1.50 to \$1 per \$100 valuation.

On the debt service side, revenue can only be used for taxpayer authorized bond programs that provide funds for major capital expenditures.

HB1 froze the level of funding we receive per student at 2006 levels, meaning even though students' needs, inflation and state mandates have increased, we receive the same amount per student as we did in 2006. GCCISD receives roughly \$8,460 (excluding debt service) per student annually. Since our funding level is essentially frozen at the 2006 level, inflationary costs associated with pay raises for teachers, fuel, energy, and other highly volatile expenses, such as property and casualty insurance, are not included in the current state funding formulas.

GCCISD no longer receives the tax revenue generated from property value growth. Additional tax revenue generated from property value growth in our area goes to the state and not to GCCISD.

HB 1 capped the tax rate increase school districts can receive to 17 cents. Four of those pennies can be used at the discretion of the school board (Already included in tax rate of \$1.04). The other 13 cents require what is known as a "rollback election" where the school board approves a budget first and then asks voters for approval through an election. If voters do not approve the additional pennies, school districts will need to cut their budget or dip into their fund balance in order to keep the budget balanced.

### The cost of education

It stands to reason that the taxes on a home, plus the revenue that the state provides for a student who lives there, would add up to the right amount, but that's not necessarily true. Here's why:

A family living in a \$100,000 house with a homestead exemption is paying \$780 in local school taxes this year. That's a fraction of the cost of educating one child — \$8,114. It takes another \$227 per child to make the debt service payments on school buildings. As a result, taxes on an average single-family residence pay about 13 percent of the total cost of educating one student. State revenue accounts for about 35 percent of the general fund. Commercial and industrial property values adds up to 60 percent, and the remaining 5 percent is local revenue, i.e interest, etc.

### Belt-tightening — one notch at a time

When unavoidable costs are increasing and funds are limited, what does a school district do? The same thing a family does — look for ways to tighten its belt.

Goose Creek CISD has implemented a number of cost-saving measures and conducted several efficiency reviews. It continues to identify ways to reduce expenditures that will have minimum impact on instruction or reduce services to students.

We have tightened our financial belt whenever and wherever possible. But when approximately 83 percent of the budget is spent on personnel, only so much belt-tightening is possible before the pinch becomes apparent in the classroom.

School districts rely on the property tax as their local funding source, but because property values vary widely across the state, the amount of money each school district can raise varies. The state offsets this variation by providing different amounts of aid to different school districts.

Thus, tax increases are the only avenue available for school districts to obtain more revenue for important educational programs, and pay for escalating fuel, insurance, and electricity costs.

### What does all this mean?

It means that Goose Creek CISD will continue to provide the highest quality education for students, responsibly using state and local fiscal resources. Without action by the Legislature, however, every district in Texas will be in an untenable financial position. Goose Creek CISD is looking at every possible approach to operating our schools as economically as possible without serious impact on students, staff and programs, but the answer to the problem will be far more complicated than the simple math of  $1 + 1 = 2$ .

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