
Analysis of the Comptroller's Revenue Estimate

January 10, 2011

The Comptroller's Biennial Revenue Estimate indicates that Texas will have a net \$3 billion less in revenue to appropriate next biennium compared to last (accounting for both General Fund revenue and revenue expected from the Property Tax Relief Fund as well as an offset for a \$4.3 billion shortfall in revenues for the current biennium). However, last biennium the legislature appropriated a total of \$12 billion that will not be available this biennium from a combination of federal State Fiscal Stabilization Funds and state General Fund balances from the prior biennium. Combining these two figures puts the state roughly **\$15 billion** short of being able to appropriate what they spent last biennium.

To that \$15 billion, there are increases in appropriations necessary because of the increased cost of maintaining current law. For example, in public education, the TEA Legislative Appropriations Request identifies the need for an additional \$5.7 billion to cover enrollment growth and an anticipated reduction in school district property tax collections. Increased costs in Health and Human Services, Higher Education, and other areas of state government could cost an additional \$3 billion conservatively. Adding these costs to the \$15 billion above brings the shortfall to **\$23.7 billion**. The five percent cuts that lawmakers required of state agencies in the current biennium, if carried forward, are worth an additional \$1.25 billion next session, which would reduce the \$23.7 billion shortfall to **\$22.45 billion**.

Other organizations have different views on the cost of current services, some higher and some lower. In particular, there are wide variations on assumptions regarding the amount of funds needed for additional Health and Human Services spending. The Center for Public Policy Priorities has estimated the need for \$6.3 billion more in spending than MCA took into account in the figures above.

How public education will be affected depends substantially on how lawmakers decide to handle the shortfall. For example, the Comptroller estimates that \$9.4 billion will be available in the state rainy day fund, although many lawmakers have expressed reluctance to use the fund. In addition to the cuts implemented in the current biennium, state agencies have identified \$3.5 billion in further cuts through a required 10 percent reduction exercise, though implementing all of these would be difficult. There are also some less painful options for lawmakers that include things like a Foundation School Program payment delay which would push roughly \$2 billion into the next biennium. Which of these options lawmakers use remains to be seen, but substantial cuts in public education appear likely, even under optimistic scenarios.

There are a few other pieces of information in the revenue estimate that are worth noting. One is that the document makes clear Texas' reliance on federal funds to get through the current biennium. In the current biennium, Texas will take in more in federal funds (\$75.3 billion) than it will collect in taxes (\$71.7 billion), though a decrease in federal funds is expected in the next biennium. In addition, although the shortfall is substantial regardless of how one chooses to account for it, it does not appear that the Comptroller is being overly pessimistic when projecting revenues for next biennium. In fact, she is estimating that sales tax collections will grow by 8 percent over this biennium (though it is worth remembering that this biennium, sales tax collections are down 6.3 percent compared to last biennium).

What this means for school personnel is that reductions in overall funding are coming and continuing efforts to identify areas for budget reductions remain necessary. The Comptroller's estimate does not, however, answer the question of how much will be taken from public school budgets next biennium.

Proposed Addition to Salary Schedule

Stipend for Early Notification of Resignation/Retirement

Institute an incentive stipend for early submission of resignation or retirement effective June 2010. Purpose is two-fold:

- To have early notice of vacancies in order to be able to hire best qualified staff early
- To have early notice of vacancies to allow staff to move positions Instead of possible loss of position if positions are reduced.

Proposed Terms

- Announce in late January.
- Eligible staff are professional and paraprofessional staff only. Must complete the current duty year to qualify.
- Must submit resignation effective end of current duty year (includes resignation for retirement) by February 28 to qualify. Resignations previously submitted effective end of duty year would qualify.
 - \$500 if notification received by February 15
 - \$300 if notification received by February 28
- Payment would be made on June 16 paycheck.

A chart of similar plans in other districts is attached.

**EARLY RESIGNATION INCENTIVE PROGRAM SURVEY
DECEMBER, 2010**

DISTRICT	ELIGIBLE EMPLOYEES	INCENTIVE	DEADLINE	COMMUNICATION	RESULTS
NORTH EAST ISD	ALL PROFESSIONAL EES, BOTH CHP 21 AND NON-CHP 21 CONTRACTS, BOTH ADMINISTRATION AND CAMPUS EES	\$1000, CONTINGENT UPON COMPLETING CONTRACT AND PAID ON LAST PAYCHECK	JANUARY 15. EES SUBMITTED WRITTEN NOTIFICATION OF RESIGNATION OR RETIREMENT	SCHOOL BOARD APPROVED PROGRAM. EMAIL TO ELIGIBLE EMPLOYEES IN OCT LAST YEAR. REPEAT OF PROGRAM UNDER REVIEW, IF OFFERED WILL COMMUNICATE THIS MONTH	LAST YEAR 175 TOOK ADVANTAGE. NO LIMIT WAS PLACED ON THE NUMBER OF PARTICIPANTS OR AMOUNT OF FUNDING.
GOOSE CREEK ISD	TEACHERS, NURSES, LIBRARIANS AND SPEECH THERAPISTS	\$500 CONTINGENT UPON COMPLETING CONTRACT AND PAID ON LAST PAYCHECK	HISTORICALLY WAS FRIDAY BEFORE SPRING BREAK, MAY MOVE IT UP THIS YEAR	SCHOOL BOARD APPROVED PROGRAM. EMAIL TO ELIGIBLE EMPLOYEES IN DECEMBER LAST YEAR; HOWEVER, PROGRAM NOW HAS A HISTORY (2 YEARS) SO IT IS FAIRLY WELL KNOWN	NO SPECIFIC NUMBERS OFFERED; HOWEVER, THIS WILL BE THE THIRD YEAR SO APPARENTLY THEY FELT THE PROGRAM IS JUSTIFIED.
EL PASO ISD	CAMPUS BASED PROFESSIONAL, NOT ADMINISTRATORS	\$200, FIRST 100 EMPLOYEES TO RESPOND, CONTINGENT UPON COMPLETING CONTRACT AND PAID ON LAST CHECK	MARCH 15TH WRITTEN NOTIFICATION OF INTENT TO RESIGN	PERSONAL LETTER VIA EMAIL TO ALL ELIGIBLE EMPLOYEES IN EARLY JANUARY	85 RESPONDENTS
FORT WORTH ISD	TEACHERS WHO ARE ALREADY PLANNING TO RESIGN OR RETIRE, EXCLUDES TEACHERS RESIGNING DUE TO LACK OF CERTIFICATION	\$500, FIRST 300 WHO COMPLETE REQUIRED PAPERWORK BY DEADLINE AND COMPLETE CONTRACT. PAID ON LAST PAYCHECK	FEBRUARY 28, 2011, EES COMPLETE ALL REQUIRED PAPERWORK FOR RESIGNATION OR RETIREMENT	NEWS RELEASE TO MEDIA, INFORMATION ON DISTRICT WEBSITE, THE UEA (TEACHERS' UNION) ALSO PUT IT ON THEIR WEBSITE AND IN MONTHLY NEWSLETTERS TO MEMBERS	IN 2009, STRATEGY WAS EMPLOYED SUCCESSFULLY FOR RETIREES. WILL USE AGAIN IN 2011 FOR BOTH RETIREMENTS AND RESIGNATIONS OF TEACHERS.
HENDERSON ISD	PROFESSIONAL EMPLOYEES	\$500, CONTINGENT UPON COMPLETING CONTRACT. PAID ON LAST PAYCHECK	MUST RESIGN BETWEEN JANUARY 4, 2011 AND FEBRUARY 15, 2011	EARLY COMMUNICATION TO PRINCIPALS, DISTRICT-WIDE EMAIL, SUPT DISCUSSED WITH TEACHER COMMUNICATION GROUP (WHO RELAYED BACK TO CAMPUSES)	FIRST TIME