



EAGLE MOUNTAIN SAGINAW ISD

Fostering a Culture of Excellence

Testimony to
Texas Commission on Public School Finance
5 June 2018
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Introduction - Eagle Mountain Saginaw ISD

Location: Tarrant County

Student Enrollment: 19,215

Growth Rate: 3-4% (*Fast Growth School District*)

Number of Campuses: 26 (3 – HS, 1- Alternative HS, 5- MS, 15 ES, CTE Center, and Pre-K)

Student Demographics:

Caucasian:	45.0%	Two or More Races:	3.5%
Hispanic:	36.5%	American Indian:	0.6%
African American:	10.2%	Pacific Islander:	0.3%
Asian:	4.0%	Economically Disadvantaged:	42.4%

Academic Rating: Met Standard

4-Year Graduation Rate:	94.8%	Average SAT Score:	1439
Average ACT Score:	21.2		

Teachers:

Number of Teachers:	1,164	Turnover Rate:	15.2%
Average Years of Experience:	11.5		

Tax Rate: \$1.54 (\$1.17 M&O and \$0.37 I&S)



The Impact of Unfettered Charter School Growth



Charter Schools Within EMSISD - Year 2017-2018

- 5 open-enrollment charter schools currently serve the EMS ISD community.
- Charter school enrollment within EMS ISD has increased by 431% in the last 2 years.
- At least 21 additional charter campuses are being planned in Tarrant County.

Charter School	Enrollment Within District
International Leadership of Texas	1,087
High Point Academy	83
Responsive Education Solutions	41
Fort Worth Academy of Fine Arts	27
Harmony Public Schools	15
Total (Year 2017/18)	1,253
Total (Year 2016/17)	408
Total (Year 2015/16)	291
Total (Year 2014/15)	240
Total (Year 2013/14)	145



Impact of Unfettered Charter Growth

❑ EMS ISD Situation:

- International Leadership of Texas (“ILT”) has 3 campuses that serve EMS ISD:
 - ✓ ILT Saginaw (K-8) – Opened August 2017
 - ✓ ILT Keller-Saginaw High School (9-12)
 - ✓ ILT Keller (K-8)

- In 2017-2018, TEA transfer reports indicate 1,087 EMS ISD students attend these 3 ILT campuses – Reducing EMS ISD M&O revenues available by over \$5.2 million per year.



Impact of Unfettered Charter Growth

❑ Issue: Limited Information Available on Charter School Growth

❑ Issue: Significant Variability on Charter School Enrollment

- EMS ISD finalized its budget and staffing for year 2017-2018 in June 2017 based upon the available information – including an independent Demographic Study.
- EMS ISD was not informed in a timely manner that ILT Saginaw was opening in August 2017. Information submitted to the City of Saginaw stated an August 2018 start date. There is no requirement for Charter schools or the TEA to communicate with ISDs about new campuses within existing charters.
- Districts must wait until the first day of school to determine the enrollment impact. This is too late to make proactive and efficient adjustments to staffing. ILT was providing a “finders fee” for new student referrals that also had some last minute effects.
- The District experiences a return of students from Charter schools after the year starts. Approximately 100 returned by the end of the school year.



Impact of Unfettered Charter Growth

❑ Initial Consequence: Mismatch of Operating Revenues and Expenditures

- Due to lack of information available to school districts regarding the opening of new charter schools, the ability of school districts to accurately adopt an operating budget that prudently aligns revenues with expenditures is significantly diminished.
- In year 2017-2018, the lack of communication regarding the opening of ILT Saginaw unnecessarily subjected EMS ISD taxpayers to incur additional operating costs of over \$3.4 million.
- The District incurred an estimated cumulative financial impact of \$5.2 million in annual operating revenues based on enrollment decline to charter schools.



Impact of Unfettered Charter Growth

❑ **Consequence: Lower Annual Operating Revenues/Increasing Cost Per Student**

▪ **EMS ISD Example – 800 Existing Students Attend New Charter Campus:**

- ✓ Fixed costs such as utilities, facility maintenance, equipment, bond payments, etc. remained relatively unchanged – Causing EMS ISD’s “fixed operating costs per student” to increase;
- ✓ With 20 Elementary/Middle school campuses, the 800 students attending a new charter school did not come from the same campus or the same grade. Therefore, the ability to reduce teaching and support staff, without reducing student programs/services, was marginal.



Considerations To Improve the System

- Provide school districts with 18 months notice of an approved new charter campus opening/expansion, grades served, physical address, anticipated enrollment, etc.
- Provide transitional “impact funding” to school districts for initial 2 years a new charter campus opens to help impacted school district absorb revenue reduction and higher cost per student incurred.
- Hold public hearings to be conducted by the Charter school prior to the opening of a new facility. This would be a proactive interchange with the community and provide for community input into the operation of the school.
- Create a single universal charter school “waiting list” based on school capacity. Current lists do not account for students that may be on multiple lists, nor for partially opened facilities. There is no common method to remove students from the waiting list, therefore the list is not adequate to determine student demand.
- Require Charter schools to have voter approval by local taxpayers of any public debt issued for a facility in that community. Currently, no voter approval exists.

**Other Issues to Consider
Regarding Charter
Facility Construction and
Access to the Municipal
Bond Market**



- Charter school bonds are not approved by voters.
- Charter schools issuing bonds may or may not be rated by an independent rating agency.
- Many charter school bonds have repayment terms (generally 25 to 30 years) far longer than the term of the charter (10 years).
- Charter school bond issuances are not subject to review and approval by the State of Texas or any elected officials in the State of Texas.
- The underlying assumptions presented in bond issuance prospectus are not reviewed by the State of Texas or any elected officials.



- On March 5, 2018, Moody's Investor Service, in their credit opinion of the Permanent School Fund made the following observations:
 - Credit challenges
 - Expansion of guarantee capacity for charter school debt exposing PSF to higher default risk and lower expected recoveries than for traditional school districts.
 - Factors that could lead to a downgrade
 - Significant increase in charter school guaranteed debt beyond current expectations.
 - Recent developments
 - In the 2017 legislative session, the Texas Legislature passed Senate Bill 1480 which changed the guarantee capacity formula for charter schools. Before the bill was signed into law, charter school guarantee capacity was limited to a percentage of total available guarantee capacity equal to charter enrollment as a percent of statewide enrollment. Under the new law, charter school capacity is a percentage of the bond guarantee program's total capacity instead of available capacity. This change increased the PSF's capacity for charter school guarantees substantially to roughly \$5.7 billion in capacity from \$1.5 billion.



- There is a significant difference between a guarantee of bonds for an ISD that has taxing authority and a Charter School that does not.
 - Specifically if an ISD were to be on the verge of default the Permanent School Fund would step in, assist with the payment, and then direct the ISD to increase taxes in subsequent year(s) to reimburse and make whole the PSF.
 - A charter school default would likely transfer the responsibility for the entire outstanding balance (plus interest) to the PSF.

