EVERY TEXAN

April 21, 2022

Testimony to the House Ways & Means Committee on the Use of Fiscal Recovery Funds

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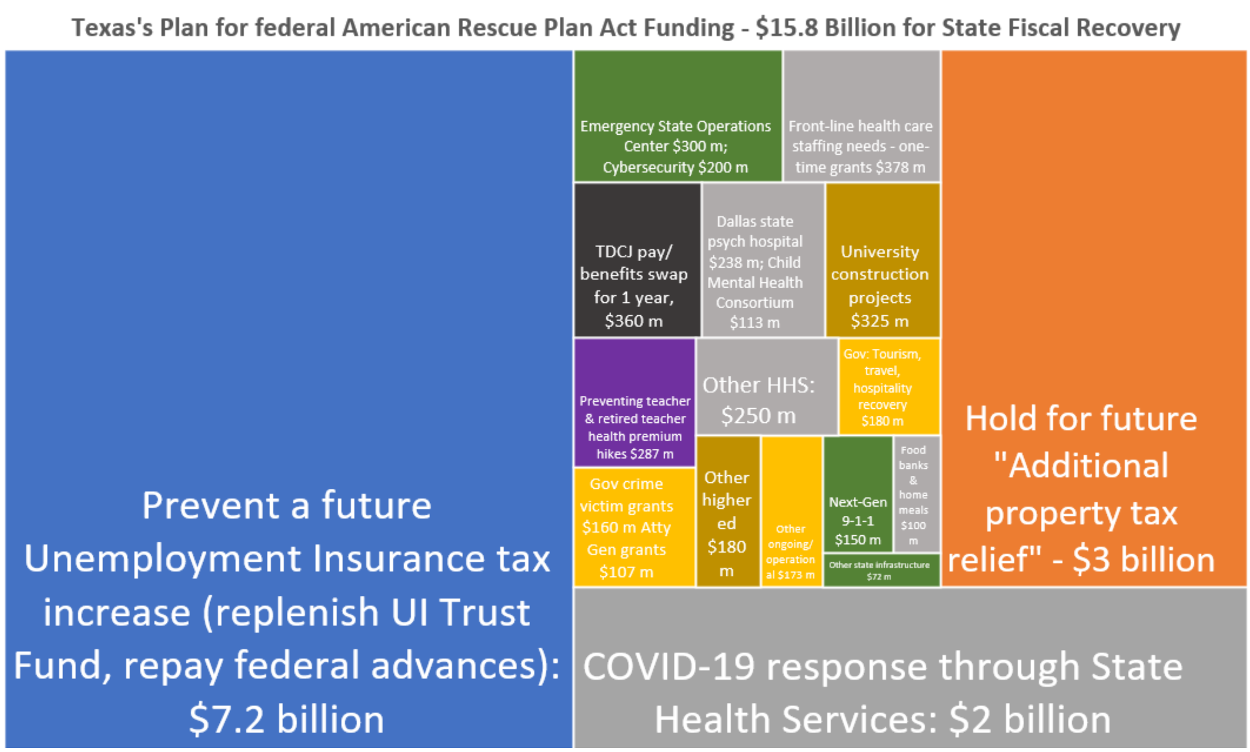
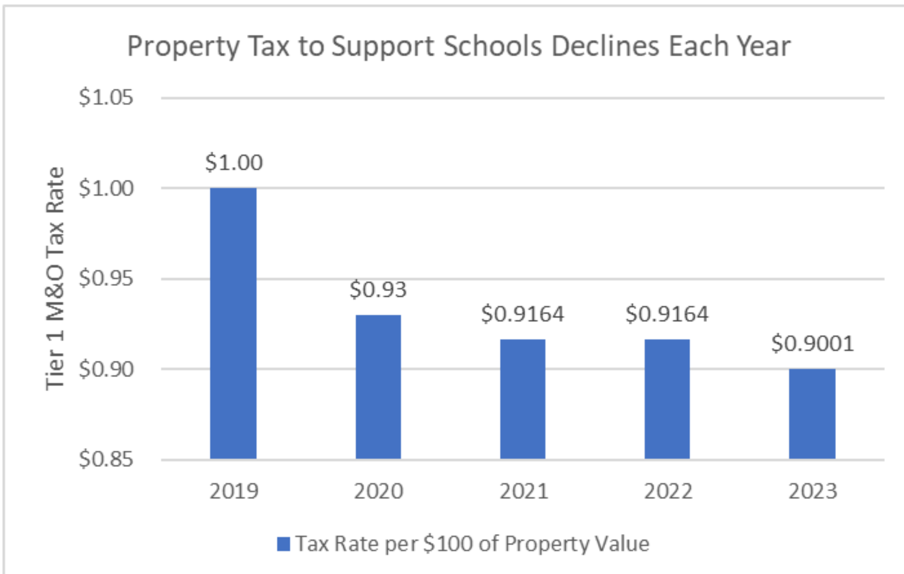
The American Rescue Plan Act's State Fiscal Recovery funds are intended to respond to COVID-19 health needs or the pandemic's negative economic impacts, provide premium pay and other support for essential workers, replace state revenue lost to the pandemic, and invest in water, sewer, or broadband infrastructure. Every Texan urges the Legislature to use the remaining $3 billion in ARPA Fiscal Recovery funds to invest in Texans rather than continuing to focus on tax cuts.

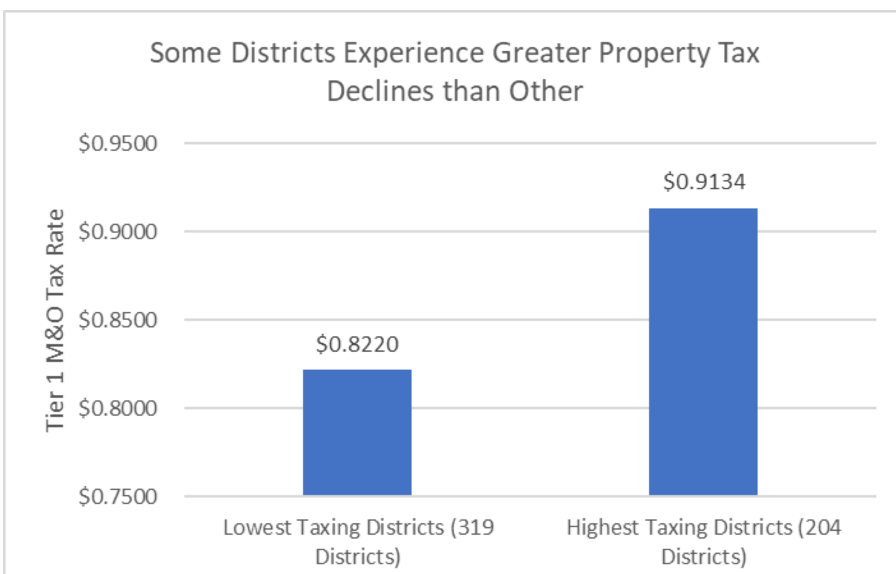
Of the $15.8 billion in Fiscal Recovery funds Texas received, $7 billion – nearly half – was appropriated in Senate Bill 8, 3rd Called Session, to the Unemployment Trust Fund, shielding business from future taxation. Another $1.25 billion went to capital projects, such as a state hospital and public university construction.



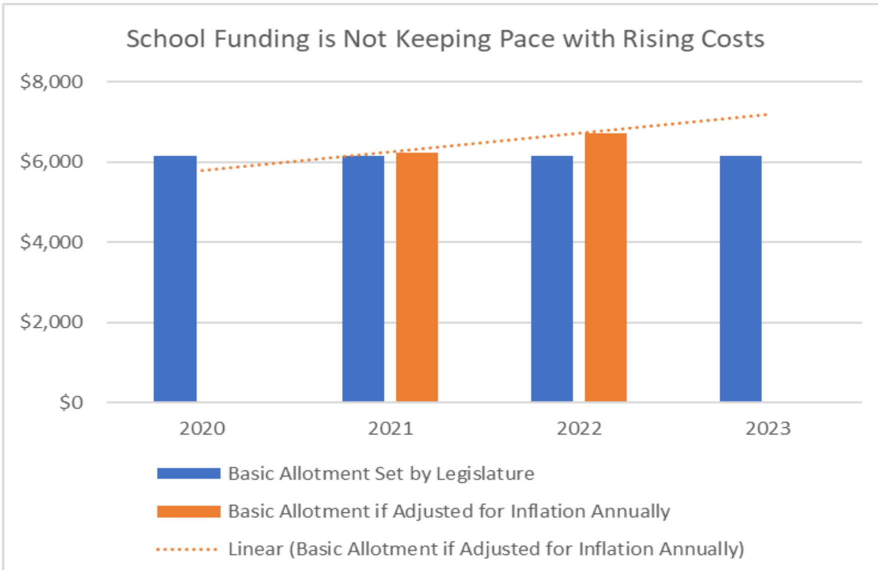
While these address some of the neglected infrastructure needs of the state, these needs did not arise out of the pandemic and do not help Texas families recover and prosper during these uncertain times. If the state uses the remaining $3 billion on additional tax cuts, that would mean almost two-thirds of its Fiscal Recovery funds went to tax cuts.

School tax rates continue to decline each year as property values grow due to the tax compression elements of HB 3 from 2019. In the 2022-23 budget tax compression cost the state $1.1 billion. The cost of tax compression is anticipated to be much higher next session due to the historic levels of property value growth occurring across the state.

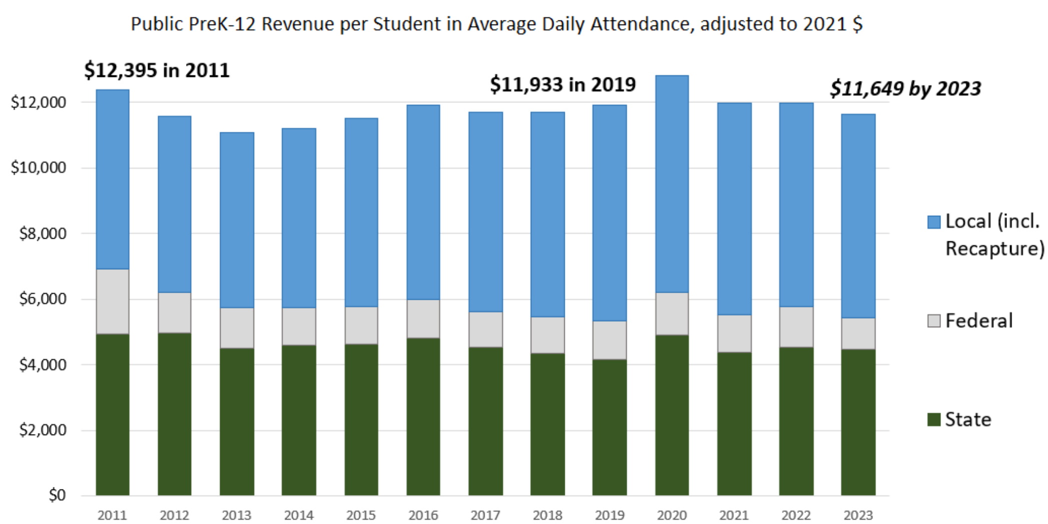




The legislature passed HB 3 with no plan to replace the lost property tax revenue and our schools are already paying the price. The basic allotment, the per-student funding level on which the finance formulas are built, will have been stagnant for four years when the Legislature returns in 2023. While inflation grows our schools are being asked to do more with less each year.



If the Legislature adjusted school funding for inflation annually (using the Bureau of Labor Statistics Consumer Price Index) the basic allotment would be $6,713 today. Our schools still haven't recovered from the $5 billion in cuts made in 2011 because the state does not maintain its investment in public schools. Unfortunately, HB 3 prioritizes future tax cuts over the future of our students.

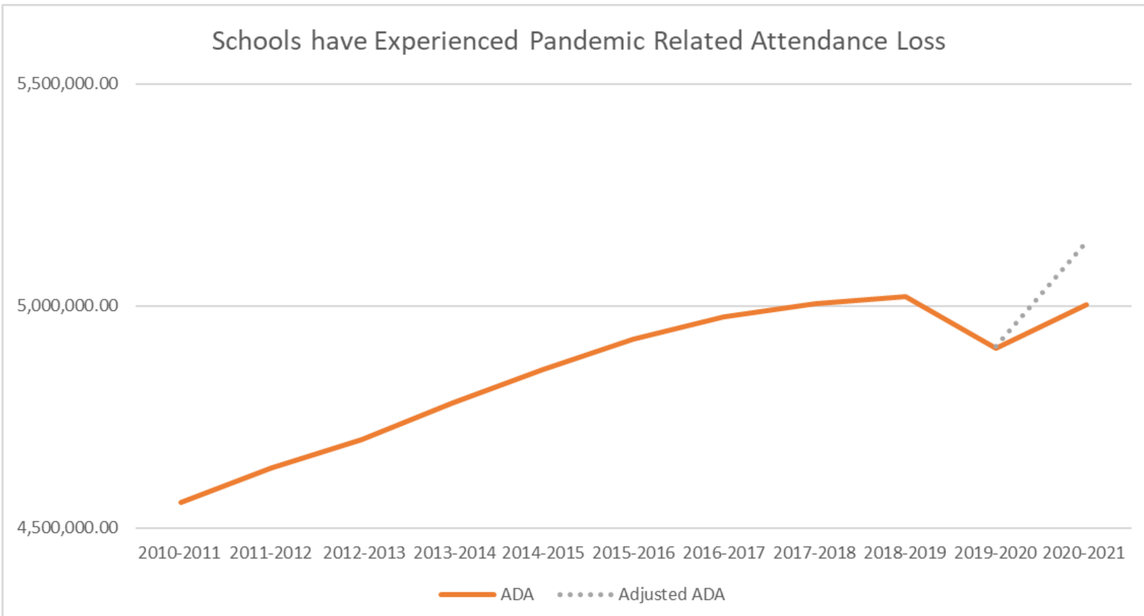


Sources: LBB Fiscal Size-Up (March 2022) for revenue and attendance; U.S. Bureau of Economic Analysis and Comptroller for inflation.

Recommended Uses for Remaining State Fiscal Recovery Funds

- Keep school funding whole during times of attendance declines:

Our schools are funded on attendance which was hit hard during the pandemic. The state has already made some adjustments to address declining attendance and more will be needed until the pandemic is fully over, or at least through 2026.



- Address missed early learning opportunities for our youngest students:

In addition to attendance declines, our schools have seen enrollment declines as well. While the statewide rate declined by only 2.2% for the 2020-21 school year, the majority of the decline was seen in the early grades. Pre-K enrollment declined by 21% and Kindergarten declined by 6%. Over the next couple of years we will witness students entering the 1st Grade with no early learning exposure. Ensuring schools have the resources to get these kids up to speed on track should be a high priority for the Legislature.

- Create financial incentives to retain and recruit Child Protective Services caseworkers

Child Protective Services is facing a number of challenges. Among those challenges is staff turnover. DFPS experiences a 26% annual turnover of its CPS caseworkers. Low-wages and high case numbers factor into the annual churn of caseworkers. The state average annual salary for CPS staff is $51,000 a year. That is $6,382 less a year than the overall statewide average income of $57,382 according to the Comptroller's office. The Legislature should consider bonuses to all CPS workers as a way to decrease annual turnover.