



Equity Center Testimony on HB 3
Presented to the Senate Education Committee
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Dr. Ray Freeman, Executive Director

As to the intent of HB 3, our current system has become so inefficient and complex that it is not an easy thing to fix. If it were, that would have been done years ago. To that end, many of the proposed changes to the current system in HB 3 do much that will increase the efficiency of the way we fund public schools. Additionally, the additional funding provided in HB 3 will bring welcomed relief to cash strapped districts across the state.

HB 3 correctly eliminates several non-cost-based inefficiencies in the system, including the nearly 30-year old 1993 wealth hold harmless, the high school allotment, and differentiated per capita funding. HB 3 also follows several Commission recommendations in attempts to direct resources to areas of greatest need and concern, such as increased weighting for compensatory education, preK-3rd grade funding for compensatory and bilingual/dual language students, and new funding to address issues for students with dyslexia. Recognizing cost differences students and districts face is an important and necessary part of an efficient system.

Unfortunately, there are some proposed changes that negate much of the progress towards efficiency and over time, will act to expand the inefficiencies and inequities of the new system.

Primary Concerns:

- Failing to take advantage of the opportunity to efficiently fund schools based upon the use of Current Year Values/Collections instead of the current practice of using Prior Year Values is the major shortcoming of the bill. In a time when the efficient use of all state resources is required, this basic updated use of current year data is a necessity.
- The decoupling of the golden pennies from the Austin ISD yield results in **increasing the inequity of system**. While the wealthiest districts will be allowed to continue to benefit from the full increase of their wealth because of the lack of recapture, the funding gap between them and all other districts will grow ever wider at a much faster pace since the **yield on those pennies will be reduced from current levels**.
- The addition of 2 more unrecaptured golden pennies will **increase the inequities mentioned above by 33%**, a huge and negative exacerbation of the system. By full implementation of the bill, the revenue gap per classroom of 22 students will be over \$93,000 between the wealthiest 5% and poorest 5% of districts. For the wealthiest 15% and poorest 15%, the average gap will be over \$35,000.
- Further, HB 3 maintains a **higher funding promise for districts with Local Revenue in Excess of Entitlement**. Those districts are guaranteed the **greater of prior year values or current year collections** in order to make sure they receive their full Tier 1 entitlement. Using current year collections (values) to guarantee funding for some, but failing to do the same for all others will result in further inefficiency and inequity.

Major Recommendations:

1. **Ensuring Efficiency:** Implement the use of current year values, and if possible, current year collections. Doing so will increase the efficiency of the system and the state's resources. This change results in a substantial savings every year, which could be used to pay for salary increases for teachers, increasing the basic allotment, increasing student weights, etc.
2. **Equalizing the System:**
 - a. The issue here is two-fold: decreasing the yield on golden pennies from the Austin level and then expanding the number of golden pennies available has an immediate and growing disequalizing effect on the vast majority of districts in the system. The solution is simple:
 - i. Do not increase the number of golden pennies available.
 - ii. Institute a revenue cap that limits the available gap between district funding on these pennies, for example the cap could be the lesser of 2.5% of the basic allotment or \$150 per WADA.
3. **Transitioning to a New System:**
 - a. Implement one, single transition for all schools. To avoid the political problem ASATR created in the past and the current 30-year WHH creates, any transition should be a single transition that applies to all schools, is limited in scope and timeframe (ideally 3 year maximum), and has a set amount of funding set aside, preferably through the rainy day fund as a one-time appropriation.
 - i. CSHB3 and the floor amendment effectively doubled the transition grant for certain districts and allowed certain districts to receive multiple transitions which resulted in not only no loss in funding, but in massive gains, while maintaining among the lowest tax rates in the state. Under CSHB3, 77 districts receive the transition grant which totals \$140 mil; 32 districts receive the WHH transition totaling \$28 mil, and 27 districts receive both. Because of this, many districts receiving the new transition funding have an increased yield from the state average of \$67-68 per WADA per penny to over \$80 per WADA per penny... some as high as \$139 per WADA per penny.
4. **Guaranteeing Full Tier 1 Entitlement:** In Section 48.257(b) of CSHB3, recaptured districts are allowed to use current year collections to guarantee they receive their full Tier 1 entitlement. The House bill spends \$163 mil to fund this guarantee. Meanwhile, 201 other districts are impacted in the same way and will not be guaranteed their full Tier 1 entitlement. The cost to offer the same guarantee to these affected districts is \$138 mil. This problem/inconsistency is eliminated by moving to current year collections for all districts, or if prior year values stay in place, the above problem can be addressed by either eliminating the section, or applying the same guarantee of full Tier 1 entitlement to all districts.

The bottom line is that with \$9 billion available and dedicated to public school finance reform, the movement towards equity and efficiency should be noticeable and significant. Under CSHB3, based on LBB's runs, the Top5% of districts (sorted by wealth level) receive percentage gains of over 14%, while the bottom 5% of districts (sorted by wealth) receive average gains of just over 10%. That is moving in the opposite direction.