

Funding Public Education - Tackling Two Approaches

In this issue, we'll cover fixing public education funding by tackling two different approaches to the problem. This first page starts you off with introductions to both articles: Fixing the Foundation and Fixing the Basic Allotment. We want you to read both articles... each is continued separately in the pages to follow. As always, keep connecting with us through regional meetings, phone calls with specific finance questions, upcoming conferences and more - renew your membership for this year if you haven't already. There is still much to be done and plenty of work ahead as we await the next special session this fall.

How Much Funding Do Public Schools Need? ...and what to do with school finance in an upcoming special session?

Use all available resources to address the most "Basic" need.

At a time that sees Texas flush with surplus funds estimated as well north of \$60 billion (this includes anticipated "rainy day" funds), and legitimate new funding needs for public schools that easily totals \$25 billion for the upcoming biennium, Texas' leaders chose to spend \$18 billion-plus on property tax cuts and provided \$4 billion to address funding needs for our public school system. Contemplate that absurdity if you will. Especially in light of the claims by elected officials that public education is their number one legislative task!

After the frustration dissipates, we ask "Ok, if \$4 billion is all we have available for improving public school finance, what is the wisest way for us to use it?" If an anticipated fall special legislative session does take place, that will be the main item on the agenda (let's just ignore for now the fact that many will be pushing to tie that funding to an additional \$500 million set aside for a voucher program).

Next, let's look at some of the bigger ticket items that need to be addressed.

(continued on page 7 under How Much Funding?)

Spending It All On The Basic Allotment

Spend the full \$3.996 billion (or whatever they determine is available for public education) on fixing the Basic Allotment.

Since our leaders determined that we apparently can only avail \$4 billion of the \$25 billion-plus (see "How Much Funding Do Public Schools Need?" p.1, 7-8) we actually need to begin to adequately fund our public schools, how do we spend those funds in a way that delivers the most help for all school districts, makes the most funding available for the teacher salary increases and sets a baseline that enables future legislators to focus on future needs to adequately and efficiently fund students and schools?

It is very simple and very "Basic". Put the full \$4 billion into increasing the Basic Allotment and establishing a legitimate ongoing inflation adjustment factor in the second year of the biennium.

Why? The Basic Allotment is the foundation of the formula system. As long as it is inadequate and not automatically annually adjusted for inflation, then what you do with all the various student weights will simply be the equivalent of moving the deck chairs on the Titanic. The arrangement of the chairs is of no import. The ship is still going to sink, maybe a different part first because you shifted the chairs around, but because you failed to correctly fix the huge hole in the hull below the water line, the ship is still taking on water and is doomed to sink - to the bottom.

(continued on page 2 under Spending on the BA)

Spending on the Basic Allotment... continued

Taking the aforementioned action would allow the state formula to increase the Basic Allotment to something over \$6,700 for the 2024-25 school year and provide automatic, economy-factor-driven increases each year to help school districts compete for teacher salaries and cover additional increases in costs.

Mathematically, as the following chart demonstrates, **anytime you increase the Basic Allotment, you also increase funding for all the categorical areas of the formula** by the same percentage. For example, a nine percent increase in the Basic Allotment (using \$3.996 billion to go from \$6,160 to \$6,715) would also drive a nine percent increase in funding for the Fast Growth Allotment, the Small and Mid-sized allotments, Compensatory Education, etc. As the chart shows, that type of increase in the Basic Allotment would drive over \$400 million new dollars into Special Education funding, each year.

Categorical Funding Gains by Increasing BA in Year 2 by \$3.9 Billion				
Programmatic Category	FY 25 Current Law	FY 25 BA = \$6,715	Categorical Funding Gains	% of Increase
Regular Program	\$ 25,742,808,929	\$ 28,062,169,149	\$ 2,319,360,220	9.01%
Small District	\$ 158,698,131	\$ 172,996,420	\$ 14,298,289	9.01%
Mid-sized District	\$ 670,346,072	\$ 730,742,512	\$ 60,396,440	9.01%
County-wide District	\$ 10,156,233	\$ 11,071,284	\$ 915,051	9.01%
Small Mid-sized Combined	\$ 839,200,437	\$ 914,810,217	\$ 75,609,780	9.01%
Special Education	\$ 4,651,229,640	\$ 5,071,705,435	\$ 420,475,795	9.04%
Career Tech	\$ 3,276,853,574	\$ 3,572,089,569	\$ 295,235,995	9.01%
Compensatory Education	\$ 4,839,485,031	\$ 5,275,510,063	\$ 436,025,032	9.01%
Bilingual Education	\$ 666,715,295	\$ 726,787,882	\$ 60,072,587	9.01%
Fast Growth District	\$ 315,392,000	\$ 343,808,000	\$ 28,416,000	9.01%
Draft Data By Equity Center 8/23 based on TEA FY 25 Projections				

Additionally, because the very foundation of our funding system would now have inflationary increases built into the state's base budget each biennium, legislators would then be able to focus additional funding and effort on the updating, accuracy and needs of all student weights on a scheduled basis.

Instead of piecemeal approaches (like HB 100 from the spring legislative session) that throw \$100 million for this weight or \$500 million for this group of schools, but provide no cost-based, long-term solutions for any district needs on the whole, **this approach offers the legislature the legitimate chance to move school funding towards a stable, predictable foundation** that allows for the actual focus of future efforts and attention on addressing programmatic issues that need to be updated and addressed on a recurring basis.

Provide your home's foundation a permanent fix first, then your work to fix the windows, walls, and roof may actually amount to more than just a patch job!

See a copy of our July 11th formal testimony to the Select Committee, chaired by Representative Buckley, on the following page.

EC Testimony to Select Committee

House Select Committee on Educational Opportunity and Enrichment, July 11, 2023

Chairman Buckley, Vice Chair Gervin-Hawkins, committee members, my name is Josh Sanderson and I am Deputy Executive Director of the Equity Center. We are here today to provide input on how we believe the House should proceed on addressing funding the 5.4 million students in our public schools.

First, and in our opinion, foremost, we believe that anything this body proposes should do no harm to the progress made by the legislature in 2019 with House Bill 3. We have heard Commissioner Morath state several times that the Texas school finance system post HB 3 is arguably the most equitable school finance system in the country. We urge you to not pursue any policy initiative that would disrupt this progress.

House Bill 3 from 2019 took an enormous amount of work from the Texas Commission on Public School Finance studying the many provisions and layers of the school finance system, to ultimately building a much more efficient, and equitable way to fund our children's education regardless of their zip codes. This time around, it does not need to be that complex.

Our recommendation is very simple: Use the limited resources we have available to drive as much funding as possible toward teacher pay raises and district discretionary funding to see to local needs. You do this by putting the entire \$3.9 billion into the Basic Allotment.

The Constitution calls for an efficient system of free public schools, and we believe that this is the most efficient use of the funds that are available.

We are at least 14% behind on the value of what the Basic Allotment was the last time it was increased.

We have given you a handout that shows what putting the \$3.9 billion into the Basic Allotment would mean for your districts. (\$350 million would apply to charter schools, leaving \$3.65 billion for traditional public schools).

Starting on page 38, the numbers show what district revenue would look like if you put the full amount in year two of the biennium, as well as how it would affect districts receiving the Formula Transition Grant. Our numbers show that only 21 districts would remain reliant upon the Transition Grant in this scenario.

After the Basic Allotment is caught up AND an inflation factor is included Chairman King, we believe that there should be a regular study into what the actual costs are that schools are facing so that the weights can be adjusted to reflect these costs, rather than having arbitrary increases.

Since programmatic funding is a function of both the weight for that program and the value of the Basic Allotment, even if the state gets the weights set at correct levels, if they are being multiplied by an insufficient Basic Allotment, the product and funding level will still not be adequate.

If you apply the full \$3.9 billion you get a BA of approximately \$6,445. If you put the same amount of revenue into the BA in the second year of the biennium, it increases to over \$6,700. This \$3.9 billion in the second year gets us a 9% increase, so still not all the way there.

Using your recommendation, Chairman King, to require 50 percent of new revenue to be applied to educator pay raises, this is how you maximize increases in educator compensation.

Appropriating the full amount to the Basic Allotment is the best way to: deliver a meaningful raise to educators, provide each district the flexibility to see to local needs, reduce recapture, and maintain the efficiency gains made four years ago.

(Testimony continued on page 4)

EC Testimony to Select Committee... continued

Historically, we have opposed hold harmless funding provisions for three primary reasons:

1. They are never cost-based. Meaning that the funding amount is never tied to a direct, identifiable cost the district has that another district does not have.
2. They are dis-equalizing, in that they deliver revenue above formula funding amounts, which is contrary to the Constitutional requirement of providing similar revenue for similar students.
3. They are not reliable, long-term funding streams for school districts. Whether it was the Wealth Hold Harmless Grant from 1993 that was extended until it finally phases out after the 2023-24 school year, or ASATR from 2006 that didn't finally go away until 2017. The state spent billions more on these grants than was initially intended.

Hold harmless provisions are an inefficient use of finite state funds.

Finally, we would like to bring attention to an issue that has gone largely unaddressed, but is a significant and growing impediment to adequate and efficient funding for all schools. The dynamic between local County Appraisal Districts and the Comptroller's Property Value Study is causing more districts to be assigned state values as their local fund assignment, or what the state uses to calculate the state/local share.

In the past school year, nearly 150 school districts have been assigned state values, at a loss of nearly \$700 million in formula funding that these districts are entitled to. If you look at districts that are in years one and two of the grace period, that number could increase to 200 districts in the next school year.

Thankfully, two amendments to House Bill 100 by Representative Harris addressed this issue, but they were removed in the Senate. We believe the only way to properly and permanently correct the issue of ensuring that every district receives their full formula funding is to move to using actual district property tax collections to determine the local share, rather than using property values, which is always a proxy for collections.

Under current law, school districts have no recourse to force CADs to adopt valuations in compliance with the Property Value Study; they are essentially collateral damage in the conversation between the CAD and Comptroller. This has typically been a much smaller problem that is growing both in the number of districts affected, and the amount these districts are losing.

We would be happy to discuss this in more detail at a later time. We thank you for the opportunity to be here today, and I'd be happy to answer any questions.

Special Sessions... What's Next?

At the time of print, the 88th Legislature adjourned, as did two special sessions on property tax relief. Interim committees continue to meet and discuss policy and funding decisions, and as we look ahead, all reports indicate an upcoming October special session on school choice. Meanwhile, our public schools sit facing rising costs, teacher shortages, additional required safety expenditures and more...

We can think of no better time to RENEW your membership today if you haven't already. This is a great way to stay up to date on the impact new laws have on your school district's funding. Additionally, members can access our online data solutions for determining funding, call us for one on one questions and solutions or for board presentations and information, or attend our annual conference in January 2024. Join today! Email josh@equitycenter.org or call 512-478-7313.

**** Don't forget to catch our presentation, *The World of Texas Public School Finance-- Remember You Are Here Forever!*, at TASA fall conference on September 30th at 7:30 a.m. And come visit us at our booth during the conference #640. See you there!**

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How Much Funding... continued from page 1

A few of the bigger ticket items that need to be addressed:

1. Increase the BA (Basic Allotment) to catch up for the inflation lost because the BA has remained stagnate at \$6,160 since 2019. 14% inflation over that time period would have seen the BA rise to \$7,022 and a modest inflation adjustment of 3% in year two of the biennium would adjust it to \$7,232. Biennial cost = \$14 billion
2. State formula funding for Special Education is currently around \$2.1 billion a year short of covering current expenditures. Biennial cost = \$4.2 billion
3. Currently, wealthy districts that pay recapture are guaranteed 100% of their Tier 1 formula funding. They get a “rebate” on their recapture charges to make it so. The other 85% of school districts have no such guarantee. All districts should have this guarantee. Biennial cost = \$1.6 billion
4. The guaranteed funding level per student per penny of tax effort for helping districts pay off bonded debt has essentially remained stagnate since the 1999-2000 school year. In 1999-2000 the Yield level was \$35 and meant that 91% of students across the state were in school districts that qualified for state assistance for paying off bonded debt. The state in fact paid for nearly one-third of school bond debt payments in that year. Now the Yield is just short \$40 per student per penny of tax effort and less than 20% of students and 5% of bonded debt payments are covered by the state. We should return to the equity and efficiency standard of 1999-2000. Biennial cost = \$3.2 billion.
5. Increase funding for the School Safety Allotment so that it actually covers the cost of putting a qualified safety officer on every campus, as required in SB 11 of the regular session. Biennial cost = \$2 billion
6. Biennial cost for items 1 through 5 = \$25 billion
7. Compensatory and Bilingual Education weights are one-half to one-fourth of what research originally projected. Other student weights also need updating and research. And this is on top of the basic problems outlined in items one through five.

Therefore, since our leaders have determined that we can only avail \$4 billion of the \$25 billion-plus we actually need to begin to adequately fund our public schools, ***how do we spend those funds in a way that delivers the most help for all school districts***, makes the most funding available for the teacher salary increases, and sets a baseline that enables future legislators to focus on future needs to adequately and efficiently fund students and schools?

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(continued on page 8)

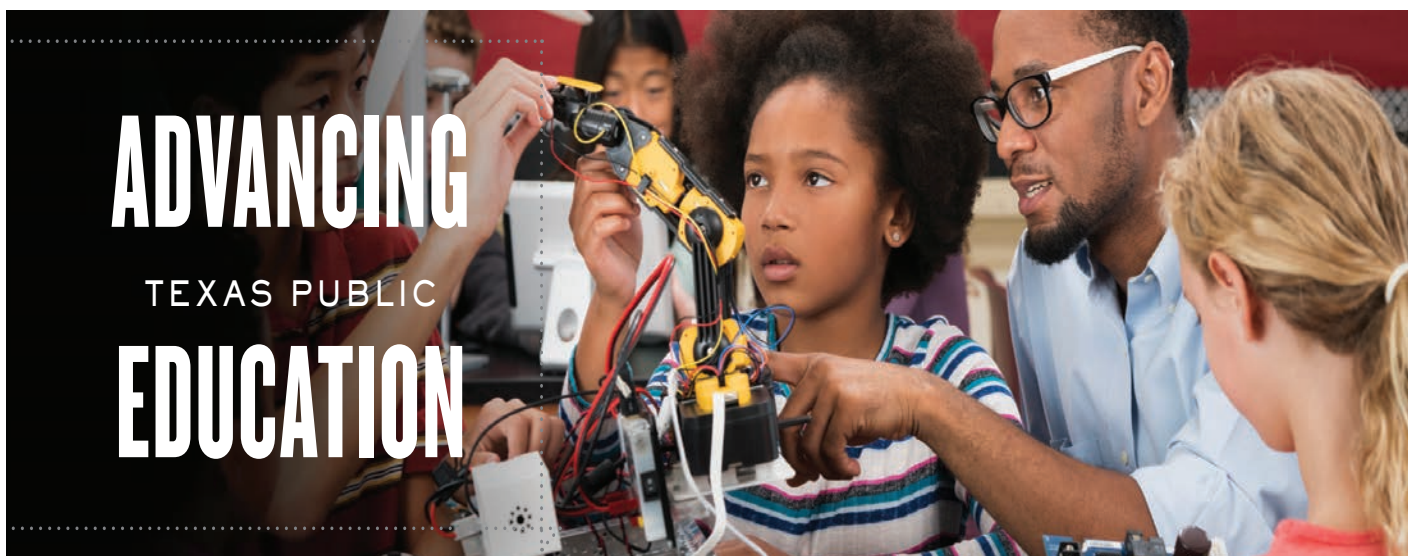
How Much Funding... continued

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Instead of piecemeal approaches that throw \$100 million for this weight or \$500 million for this group of schools, but provide no cost-based, long-term solutions for any district needs in the whole, **this approach offers the legislature the legitimate chance to move school funding towards a stable, predictable foundation** that allows the actual focus of efforts and attention on addressing programmatic issues that need to be updated and addressed on a recurring basis.

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Again, a copy of our July 11th formal testimony to the Select Committee, chaired by Representative Buckley, can be viewed on pages 3-4.



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