Texas Public School Finance: Where do we go from here?

Equity Center Presentation

The 23rd Annual Equity Center and Moak Casey School Finance and Legislative Conference
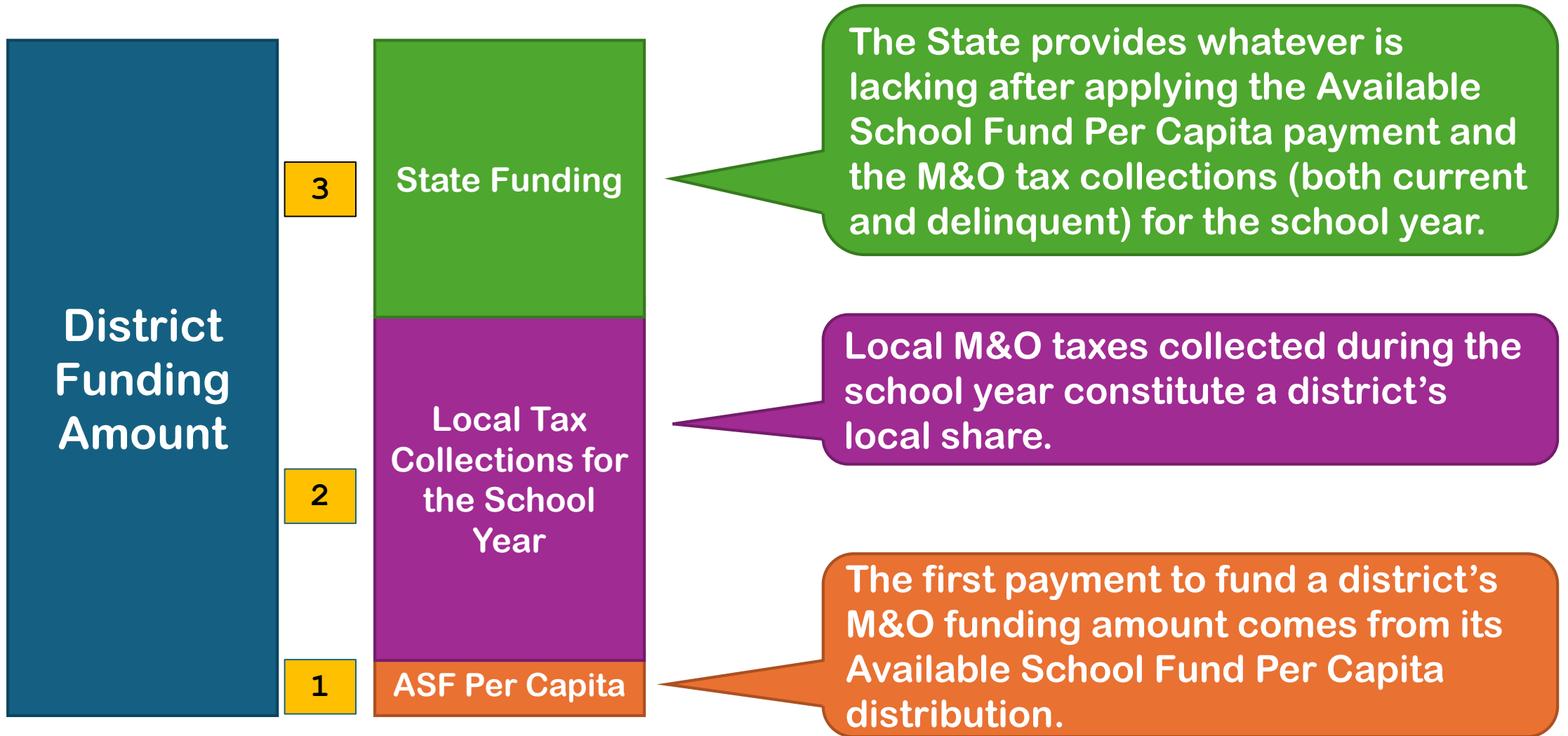
Mid-Winter, January 28,2024

Three Principles of an Efficient School Funding System

A world-class, free public education system must be our new standard, because we compete on a global basis. A second-rate system of public education will result in a second-class Texas.
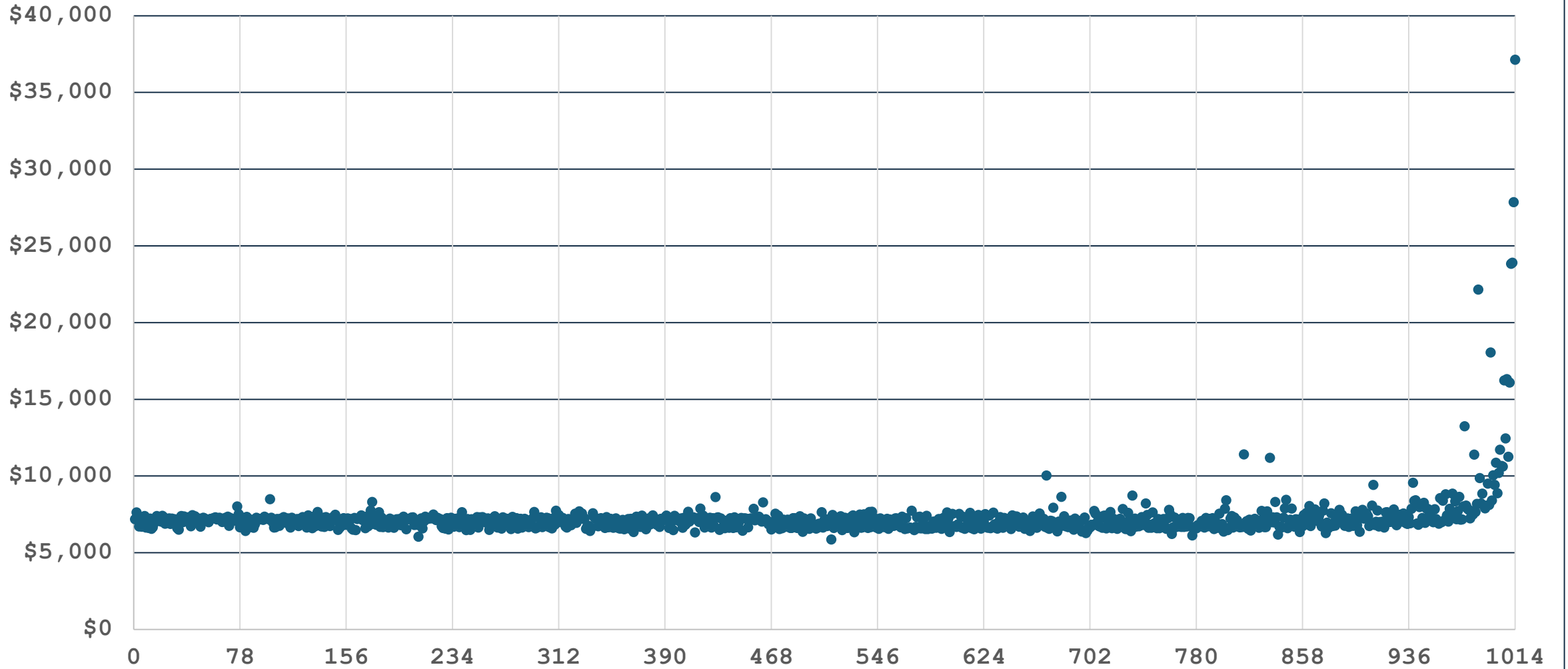
Children in any Texas school district must have access to educational opportunities that are appropriate to their needs and similar in quality to those provided to children in any other Texas district. An efficient school funding system does not pick winners and losers among children; all children are given an even chance.

An efficient system is devoid of waste. Differences in funding that are not justified by differences in either tax effort or educational and operational costs that are beyond a district's control must be eliminated in order for available resources to be focused on real costs.

Determining State/Local Funding for M&O

District Funding Amount

3 State Funding

The State provides whatever is lacking after applying the Available School Fund Per Capita payment and the M&O tax collections (both current and delinquent) for the school year.

2 Local Tax Collections for the School Year

Local M&O taxes collected during the school year constitute a district's local share.

1 ASF Per Capita

The first payment to fund a district's M&O funding amount comes from its Available School Fund Per Capita distribution.

FY 2023 Near Final Funding per WADA - School Districts
Sorted by Wealth per WADA

What are the Major Causes of Variances in Funding Between School Districts?

- Transition Aid Hold-harmless and Property Tax Hold-harmlesses outside the formula funding system

- Eight Golden Pennies

- Guaranteed Tier 1 formula funding for some but not all

- Current calculation of the Local Fund Assignment (LFA) and what property values it is based upon

- State share of Facilities Funding (IFA & EDA frozen formula yield)

First Step to Efficient, Equitable and Adequate School Funding

- "Raise the Basic Allotment and Provide an Annual Inflation Adjustment Factor"

- Use all available resources to increase the Basic Allotment until the level needed to provide adequate educational opportunities for all children is reached
  - A 10% increase in the BA also means a 10% increase in categorical aid funding
  - Increasing the BA is the most effective way to increase every district's funding without creating winners and losers in the system

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
Regular Program	$ 25,742,808,929	$ 28,062,169,149	$ 2,319,360,220
Small District	$ 158,698,131	$ 172,996,420	$ 14,298,289
Mid-sized District	$ 670,346,072	$ 730,742,512	$ 60,396,440
County-wide District	$ 10,156,233	$ 11,071,284	$ 915,051
Small Mid-sized Combined	$ 839,200,437	$ 914,810,217	$ 75,609,780
Special Education	$ 4,651,229,640	$ 5,071,705,435	$ 420,475,795
Career Tech	$ 3,276,853,574	$ 3,572,089,569	$ 295,235,995
Compensatory Education	$ 4,839,485,031	$ 5,275,510,063	$ 436,025,032
Bilingual Education	$ 666,715,295	$ 726,787,882	$ 60,072,587
Fast Growth District	$ 315,392,000	$ 343,808,000	$ 28,416,000

FY 23 Comparison of Tier 1 Formula Entitlement & Actual Tier 1 Funding Level

BA = $6,160

BA = $8,797

● Actual Tier 1 Revuenue per WADA   ● Tier 1 Entitlement per WADA
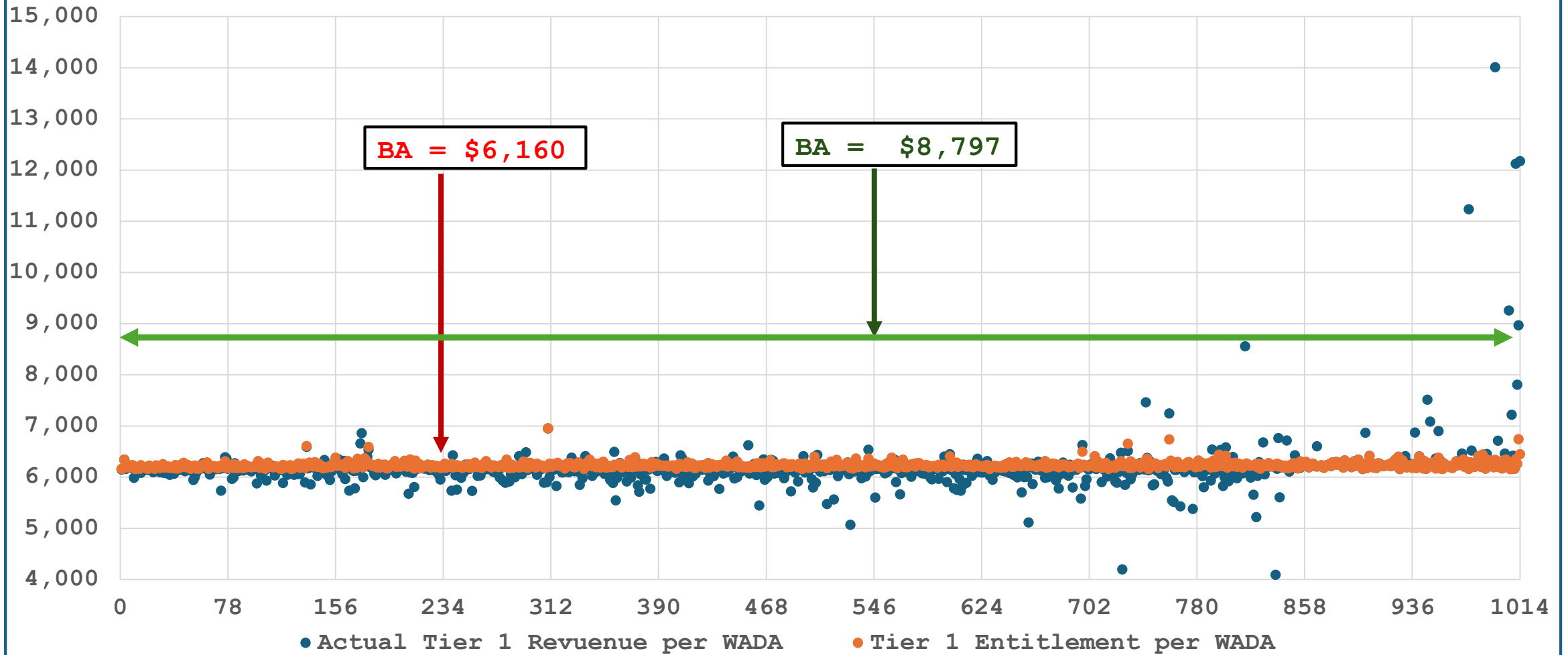
FY 23 Comparison of Tier 1 Formula Entitlement & Actual Tier 1 Funding Level - Only Districts with Entitlement Between $5,500 & $6,500

● Actual Tier 1 Revuenue per WADA ● Tier 1 Entitlement per WADA
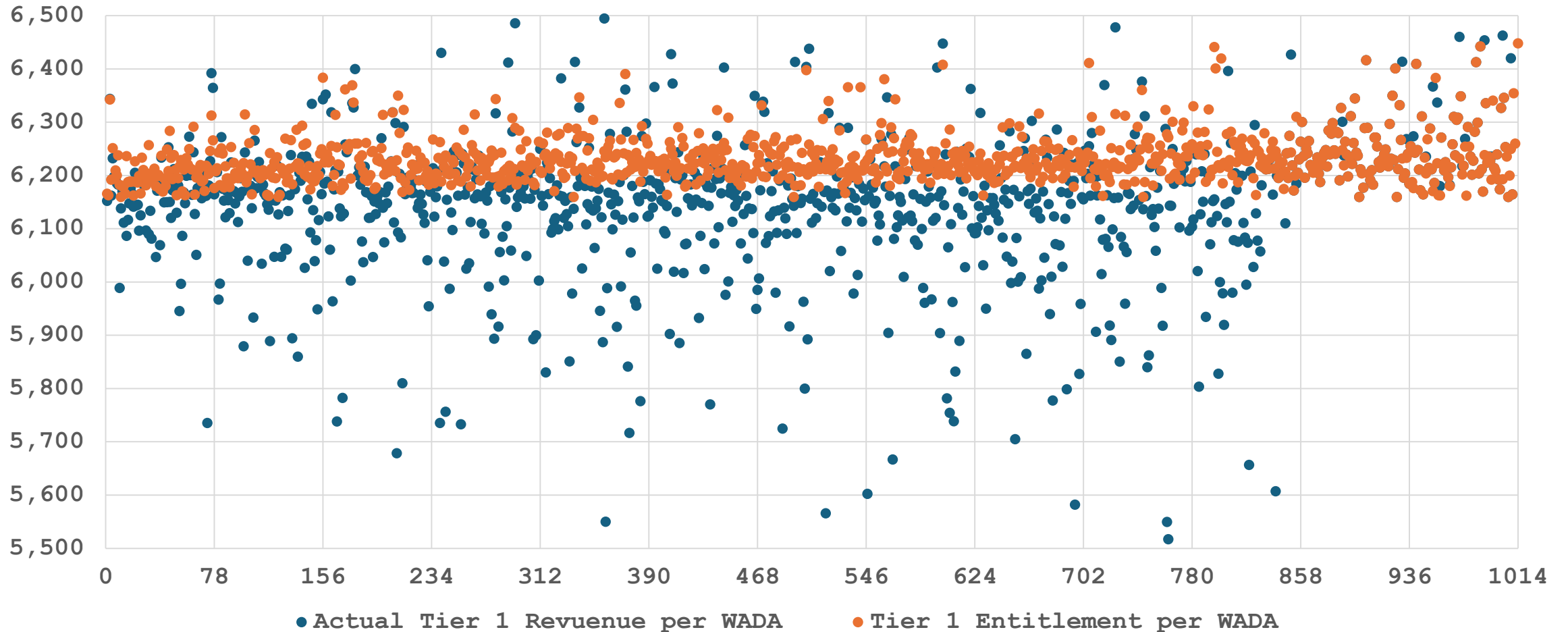
Second Step to Efficient, Equitable and Adequate School Funding

- Guarantee full Tier 1 Entitlement funding for all district not just the Wealthiest ones
  - Change how the state calculates the Local Fund Assignment
    - The School District's CAD assessed value of taxable property times the school district's Tier 1 adopted tax rate times the state average percentage of collections for Tier 1 taxes. For **all** districts.

LFA = CAD assessed values X Tier 1 tax rate X state average % of collections for Tier 1