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Blueprint to Remodel the Texas School Finance System

Testimony to the House Public Education Committee on the Texas Commission on Public School Finance

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For CPHP, fixing school finance means remodeling our outdated system by adding new **state** revenue that is directed toward the kids that need it the most, and removing old provisions that are not based on actual costs or established needs.

Three things are needed for this remodel:

- 1) Per-student funding levels based on measurable programmatic and personnel costs and adjusted for inflation annually.
- 2) Additional funding for special populations like low-income students, English Language Learners, special education students, gifted and talented, and career and technology students that meets the costs of the services provided.
- 3) Remove elements of the formulas that are outdated or inefficient. For example, 1991 school district property values are needed to calculate student funding levels today.

We applaud the school finance commission for recognizing the need for greater investments in low-income students and English language learners. The commission's recommendations to increase the yield on copper pennies and remove the 1992-93 hold harmless are welcome and long overdue.

Fixing school finance cannot be achieved with property tax cuts and outcomes based funding alone. When the state buys down property tax rates at the local level, the state's share of funding increases without any additional funding actually going to our schools at a huge cost to the state. The Governor's proposal, as presented to the commission, goes against the tax equity gains built into the formulas through 30 years of litigation.

For the system to run efficient and equitably all school districts must have access to similar levels of funding for similar tax rates – this is why the state brings the funding up for some districts and uses recapture to reduce the revenue available for some. Under the governor's proposal districts with quickly rising property values will be able to reduce their Tier I M&O tax rates faster than districts not experiencing the same rate of growth, while still enjoying full funding. This means that districts across the state will have similar levels of funding but at very different tax rates. Recapture would not be an issue if the state did more to bring the bottom up rather than continuously bringing the top down.

In 2006, the legislature took an equitable approach to tax rate compression by reducing property tax rates by 1/3 for every district across the state. However, this cost the state \$14 billion dollars and provided little benefit to the classroom. Any property tax reduction proposals should ensure our schools see an investment equal to or greater than the amount of the tax cut.

While we all want improved educational outcomes, funding should be based on what each student needs to be successful instead of how a student performs on a standardized test. Outcomes based funding assumes schools already have the resources needed to be successful. School spending levels are still below pre-recession 2008 levels and the basic allotment has been stagnant for four years. Our schools need real investments that correct for decades of neglect and underfunding, not outcomes based funding gimmicks.

Money matters in education, and accomplishing these goals will require the state to increase and then maintain its share of school funding. Fortunately, the state has many options that will generate enough revenue to increase investments in education while also supporting other budget priorities like health care.

Options for raising new revenue include:

- Eliminating outdated and inefficient tax exemptions;
- Expanding the sales tax to include services;
- Increase “vice tax” on cigarettes, beer, and alcohol;
- Improve commercial appraisals;
- Maximize federal funding.

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cphp.org or 512.823.2875.

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