

Promising School Finance Bills Advance in Texas House and Senate

Overall, School Funding Continues to Slip against Inflation While Legislators Seek Options for Reform

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The first major pieces of Texas school finance legislation this session are up for debate in the House and in a key Senate committee.

On Wednesday the full House will debate HB 21. Sponsored by House Public Education Committee Chairman Dan Huberty, HB 21 has many positive provisions and is a promising first step toward meaningful school finance reform. The legislation removes some outdated and inefficient elements from the school funding formula, adds funding for students with dyslexia, provides a slight increase for English language learners and expands the current career and technology funding to cover eighth grade and technology application courses.

The Senate Education Committee will hear testimony on a set of school finance reform bills Tuesday that explore cost-neutral options for simplifying the overly complex school finance formula. This policy brief analyzes the bills under consideration and explains what more is needed to keep up with inflation.

To Keep Pace with Inflation, the Legislature Must Invest an Additional \$2.7 Billion this Biennium

As the Legislature moves through this process, it is important that we keep the whole school finance system from falling further into disrepair. To prevent the system from losing ground each year to inflation, the legislature must make a minimum investment of \$2.7 billion this biennium. [CPPP has calculated estimates](#) for each Texas school district of the increased revenue required to keep up with inflation.

Unfortunately, leading budget proposals in both the House and Senate lack the funding needed to keep school districts from losing ground over the next two years. The House budget sets aside an additional \$1.5 billion for public education, contingent on the passage of HB 21. Although these funds are greatly needed to reduce the chronic underfunding of our schools, this amount represents only 56 percent of the \$2.7 billion required to keep pace with rising inflation.

Total State and Local Revenue for school maintenance and operation			Recapture			
Total Revenue at Current Law	Inflation Adjusted Total Revenue Estimate	Additional Funding Needed for Inflation	Recapture Collections at Current Law	Inflation Adjusted Recapture Collections	Change in Recapture Collections	
2018	\$42,040,680,951	\$42,909,534,616	\$868,853,665	\$2,364,025,000	\$2,253,784,747	-\$110,240,253
2019	\$43,204,900,152	\$44,986,946,050	\$1,782,045,898	\$2,716,300,301	\$2,483,686,630	-\$232,613,671
Total		\$2,650,899,563			(\$342,853,925)	

Source: CPPP estimates based on Texas Education Agency projection data as of Sept. 2016.

Note: CPPP estimate calculated using the Consumer Price Index, as detailed in the Comptroller’s Biennial Review Estimate, to increase the basic allotment from its current level of \$5,140 per student to \$5,236 in 2018 and \$5,390 in 2019 to account for inflation.

Increasing state’s investment in public education to keep pace with inflation would also reduce recapture — the mechanism through which “property-wealthy” districts send funding to the state to support other districts and

charter schools – by \$343 million, or 7.2 percent, over the biennium. This is because a district is able to keep more local revenue when its funding entitlement increases.

CPPP Recommendations for Improving HB 21

While CPPP supports HB 21, the leading school reform bill in the House, it passed out of the Public Education Committee with two remaining primary concerns. HB 21 would shift transportation funding away from a method calculated based on school district costs, and the bill does not include a statutory basic allotment increase to reflect formula changes. Let's explore.

Concern: The Proposed Shift in Transportation Funding Is Not Tied to School District Costs

HB 21 proposes a change to how the state views transportation costs (like school buses) by eliminating the transportation allotment from the school finance formula. The idea is that, going forward, a portion of the main per-student funding level (the "basic allotment") would be dedicated toward transportation expenses. The basic allotment represents base level per-student funding and is the primary building block of the school finance formula. The bill itself does not contain any intent language to describe this funding shift.

The current transportation allotment provides funding for travel to and from schools based on miles traveled and ridership. Though it is based on 30-year-old cost estimates and does not fully account for districts' transportation costs, it does provide transportation funding to districts **based on need or cost**. Under HB 21, transportation costs shift from being estimated as a separate expense with distinct cost factors to being mixed with funds otherwise dedicated to providing instruction and operation of the school. Including transportation in this base funding would mean that districts and charter schools that provide little or no transportation service to students will receive funding for an expense they do not incur.

There is also concern that districts may limit their transportation routes or establish fees for bus service, and that TEA would lose the ability to enforce bus safety regulations because several rules governing transportation are tied to the transportation allotment.

***Recommendation:* Leave the current transportation allotment in place and conduct a study on updating the transportation allotment in a way that meets actual transportation costs for all districts providing transportation.**

Concern: Proposed Increases in the Basic Allotment are Not Secured in Statute

HB 21 does not include a [statutory basic allotment increase](#) to reflect the elimination of the transportation allotment, the high school allotment, and additional state aid for non-professional staff salary increases. Increasing the basic allotment in statute is needed to ensure that these funds are shifted into the basic allotment, as is intended by HB 21.

In statute the basic allotment is \$4,765. Over the last two legislative sessions, lawmakers increased the basic allotment to its current level of \$5,140 through the budget process. CPPP estimates that the basic allotment must be set at approximately \$5,200 to absorb the eliminated elements proposed in HB 21 and ensure that there is not an unintended cut to public education when legislators make future reforms.

Changing the basic allotment in statute does not prevent budget writers from increasing the basic allotment beyond that amount. The House budget sets aside \$1.5 billion to raise the basic allotment to \$5,350, contingent on the passage of HB 21.

***Recommendation:* Include a provision in HB 21 that sets the basic allotment in statute at \$5,200, or an amount determined by the Legislative Budget Board, to reflect the eliminated elements.**

CPPP Supports School Finance Reform Legislation in the Senate Education Committee

Positive Steps that Stop Short of Making New Investments

The Senate Finance Committee appointed a School Finance Workgroup to explore cost-neutral options for simplifying the overly complex school finance formula. As a result, Committee Chairman Larry Taylor introduced a set of bills that would move the school finance system in a positive direction. CPPP supports the following bills:

[SB 2142](#) – Repeal of the High School Allotment

Districts receive \$275 through the high school allotment for each student in grades nine to 12 to supplement academic offerings and provide services to students at-risk of dropping out. This allotment is considered inefficient because funding is generated for every student in high school, rather than only for those in need, and it is not tied to an actual cost for serving students. It is the intent of the author that funding otherwise allocated under the high school allotment be used to increase the basic allotment. HB 21 also repeals the high school allotment.

[SB 2143](#) – Basic Allotment Increase

The basic allotment is the per-student funding amount and the primary building block of the school finance formula. It is important to ensure the statutory floor level of the basic allotment reflects actual funding as multiple reforms are being considered. SB 2143 increases the basic allotment to \$5,140 to reflect current levels of funding set in the 2016-2017 budget. [HB 189](#), by Rep. Mary Gonzalez, is a companion to SB 2143.

[SB 2144](#) – Commission on Public School Finance

This bill creates the Commission on Public School Finance, a 15-member commission tasked with developing recommendations to improve the state's method for funding schools. Members of the commission are appointed by the Governor (4 members), the Lieutenant Governor (3 members), and Speaker of the House (3 members); chairs of the House Public Education Committee, House Appropriations Committee, Senate Finance Committee, and Senate Education Committee are able to join or appoint a different member of the legislature; one State Board of Education member is appointed to the commission by the chair of the board.

Reminiscent of the Perot Commission that led to the passage of a major school finance overhaul in the 1980s, this commission has the potential to bring innovative ideas to the next legislative session.

[SB 2145](#) – Simplified School Finance System

This bill would strip out many outdated elements and unneeded complexities from the formula and reduce the system down to one tier, from its current two-tiered system. While this plan does a lot to improve equity, or fairness between districts, no additional funding is added to the system.

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