



Renovating the School Finance System: Guide to School Finance in the 2017 Session

TEGAC Policy Recommendations:

- **Increase the Basic Allotment:** The Texas Legislature should ensure every tax dollar raised for public education is dedicated to education. Increasing the “Basic Allotment,” – which is the primary building block of the school finance formula – is the best way to achieve this goal.
- **Conduct a Cost Study:** To improve student outcomes, we need a better sense of what it costs to meet the academic standards in place. The Texas Education Grantmakers Advocacy Consortium recommends that the State of Texas, in partnership with private philanthropy, implement a cost study analysis to determine the true cost of educating Texas students.

Our Children Can't Wait Any Longer

- Fixing school finance is the legislature’s responsibility
 - The State Supreme Court found the system to be barely constitutional yet highly flawed, and declared that our students “deserve a revamped system fit for the 21st century.” The school finance system is due for a renovation.
- We don’t need to start over
 - Historically, Texas has been a leader in school finance and the system has some innovative elements. However, the system has become outdated, overly complicated, and is not performing efficiently.
- We need to update the formula, starting with an increase in the “basic allotment”
 - Increasing the “basic allotment” benefits all students and districts.
 - The school funding formulas produce too little support for students because key elements are over 30 years old and fail to capture the needs and expectations of current students.
- Schools should benefit from rising property values, not the state
 - Schools are funded through a combination of local and state tax revenue. When local property tax revenue increases, the amount the state needs to contribute decreases. The state benefits from rising property values, not our schools, because the state is able to spend money that would have otherwise gone to public education to fill other holes in the budget.
 - Property values are estimated to increase by 5 percent each year of the budget. Instead of allowing the state’s contribution to shrink, “freed” state dollars should be reinvested back into public education through an increase in the “basic allotment.”



- We need to determine what it costs to provide a quality education that meets state academic standards
 - In the 1980s an ad-hoc group of legislators and their school district representative convened to determine what it costs to provide a quality education. Though not every recommendation was fully adopted, this process created some of the best features of our system (such as Pre-K, full-day Kindergarten, and additional funding for low-income students and those not proficient in English).
 - Our school finance system is long past due for a similar cost-study. TEGAC is interested in funding legislative leaders and those they appoint from the education community to engage in a consensus building cost-study during the 2017 interim.

Better Funded Schools Lead to...

- Stronger Teachers
 - Teachers who are supported and have professional development opportunities become great teachers.
 - No teacher should have to pay for school supplies out of his or her own pocket.
- A Well-Rounded Curriculum that Engages Students and Prepares them for College and Career
 - To compete in our modern economy, all children should have access to the activities and opportunities that make up a 21st century education, such as science, technology, art and music.
- Smaller Classroom Sizes
 - When classrooms are small, each student gets noticed and students and teachers can work one-on-one. Learning is enhanced when teachers can focus on teaching.

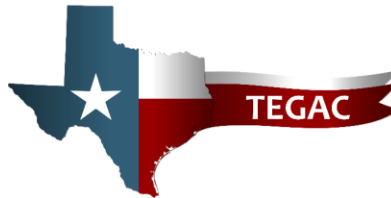
Primary Concerns Raised by Legislative Leadership: Recapture and the Expiration of ASATR

Recapture Concerns

A growing number of districts are required to send locally generated tax dollars back to the state through recapture (also known as Robin Hood), because they are classified as "property-wealthy," even though some have a high number of students that need additional support.

The Real Problem:

- Growing recapture is a symptom of a larger problem: the entire system is underfunded
 - The school finance system does not fully capture growing costs, changing student demographics, or state-wide property value increases. As a result, even districts with high needs can fall into recapture.
- The role of recapture is misunderstood.
 - Recapture was implemented to improve equity, or fairness, by reducing funding gaps between districts created by differences in property wealth. It does not determine what appropriate levels of funding should be.
 - The State Supreme Court ruled against claims the system was inequitable because recapture is reducing funding gaps between districts. Dismantling recapture will make our underfunded school finance system more unfair and trigger another law suit.



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- Recapture is achieving its intended purpose. However, because the state has not kept up its share and let the system become outdated, districts with high needs are being adversely affected.

The Solution:

- Increase the “Basic Allotment”
 - Raising the “basic allotment” allows each district to keep more of their local funds.
 - If we're concerned about growing recapture, it makes more sense to add state funding to schools by increasing the basic allotment for all students and by increasing funding levels for economically disadvantaged students.
 - Economically disadvantaged students, meaning those who participate in the free or reduced meal program, receive 20% additional funding. This amount was set over 30 years ago and has not been adjusted since.

Expiration of ASATR Concern (Additional State Aid for Tax Reduction)

Ten years ago the legislature created a short-term fix to prevent districts from losing funding after a reduction in tax rates. That fix, known as ASATR, is due to expire next year. However, nearly 15 percent of districts still receive at least some funding from this provision and are fighting to keep it (\$220 million total for 2017).

The Real Problem:

- ASATR is a symptom of a larger problem: the entire system is underfunded
 - We need a school finance system that meets the needs of all districts. It's inefficient to continue to provide additional support to only a few districts when needs are great across the state.

The Solution:

- Increase the “Basic Allotment”
 - An increase in the “basic allotment” will reduce the impact on these districts when ASATR expires.

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