

Texas

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FUNDING PRIORITIES FOR P-12

By 2020, the system had 5.48 million public and public charter students, 60.6% of whom are economically disadvantaged and 20.3% considered to be limited English proficient (*Snapshot: 2020 State Totals*, 2020). The state reports slowing enrollment growth due to the Covid pandemic. The 87th Texas Legislature is a follow up to the major 2019 school finance legislation in HB3. Property tax reform, increased funding to public schools, change the funding formula, and teacher compensation were the major legislative goals. Due to the pandemic crisis no significant adjustments were made to the system. Federal assistance for covid was the primary focus of the state. The following sections provide a brief overview of how these priorities are reflected in the current law.

CHANGES TO FUNDING FORMULA FOR P-12

The Texas 86th Legislature passed a watershed school finance bill that substantially changed the funding system for districts and public charters. House Bill 3 (HB 3) was a result of a two-year school finance study charged with developing a system that incorporates the legislative priorities for tax reform. Funding increases focus on four areas: teacher compensation, funding equity, learning outcomes (full day PK, dual language, SPED, CTE, extended school year, and blended learning) (Texas Education Agency, 2019) The Basic Allotment was increased from \$5,140 to \$6,160 with 30% of the year over year gain shall be dedicated to teacher pay increases for the most experienced teachers (5+ years). Seventy-five percent (of the 30%) must be paid to teacher classified positions and 25% to other employees except for administrators. The law requires the district to create a differentiated compensation system and an increase in benefits can be included in the 30%. The law creates a new minimum salary schedule increase from \$5,580-\$9,030 depending on experience (*Budget Planning*, 2019).

The Legislature's tax reform goals include creating a long-term and systemic balance between the state and local share of funding and reduce property tax growth and the reliance on recapture as a funding source. The Tier 1 tax rate in prior law was \$1.00 for most districts with options for Tier 2 enrichment up to 17 additional cents. The new law compresses the Tier 1 rate by 93% and restructures the Tier 2 enrichment pennies. The result for districts is an M & O rate reduction from 7-10 cents. Tax compression continues in year two of the

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biennium. The new law reduces projected recapture from \$4.8 to \$2.3 billion by 2023 reducing the number of districts projected in recapture from 292 to 161. Substantial changes were made to the recapture calculation. The cost of education index (CEI) was repealed and recapture calculations no longer use equalized wealth as a component of the calculation. It is now based on formula funding (*Tax Rate*, 2019).

Significant tax policy changes are part of the new law. Districts are required to do an efficiency audit at least 4 months prior to an election proposing a tax rate increase. All tax ratification elections (TRE) must be held on a uniform election day. Districts can no longer raise M & O rates to lower debt service, commonly referred to as a “tax swap”. District bond election notices must state “THIS IS A PROPERTY TAX INCREASE” (*Tax Rate*, 2019).

PRESSING STATE ISSUES AFFECTING P-12

Texas districts are stressed to implement a new school finance system with significant mandates to address compensation and implementing a new formula. New tax reforms have eliminated tax strategies being used to increase M & O funding by reducing debt rates in order to avoid raising, or in some cases lower, tax rates. New requirements for tax rate elections could make it more difficult for growing districts to pass bond referendums or allow districts to raise M & O rates requiring voter approval. The A-F accountability rating system is now fully implemented with districts challenged to communicate the meaning to stakeholders. In spite of the state’s efforts to broaden the system to lessen the impact of the single state assessment by considering student growth, affluent districts continue to grade significantly higher than districts with high percentages of economically-disadvantaged students.

The ongoing pandemic crisis did not have as much of a negative impact on the States biennial budget as anticipated. The previously referenced legislative priorities in HB 3 were left intact with districts receiving formula funds and federal recovery funds. The governor ordered all schools to close starting in March and subsequently ordered closure for the remainder of the school year. Districts began opening schools in a variety of plans for the 2020 Fall semester and all are operating fully open in 2021. A significant concern is the learning loss from the pandemic crisis and much of the federal recovery funding is dedicated to instructional support to address student learning loss.

EXCLUSIVE TO P-12: FORCES DIVERTING FUNDS FROM TRADITIONAL PUBLIC SCHOOL DISTRICTS

As of 2020 there were 782 active open-enrollment charter schools (*Snapshot: 2020 State Totals*, 2020). There were no significant efforts to divert funding

from traditional ISD's. In fact, the new law created significant changes to the charter school funding formula and contributions to the retirement system. As a result, the average funding increase was lower for charters than traditional ISD's (*Charter*, 2019).

P-12 PER-PUPIL EXPENDITURE AND ALLOCATION OF STATE DOLLARS

For 2018-19 Texas reported actual tax and other revenues for education of 65.1 billion. This represents 38.7% state, 49.1% local/other, and 12.3% federal allocations for all districts and charters. Total operating expenditures were \$9,913 per student (*Snapshot: 2020 State Totals*, 2020)

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