1. Introducing EdBuild
2. Types of funding formulas
3. Texas education funding in context
4. Designing funding systems for transparency
5. Policies regarding state and local responsibility
EdBuild is a nonpartisan, 501c3 nonprofit. Our mission is to bring common sense and fairness to the way states fund public schools.

We divide our work into two discrete work streams: National Voice and State Engagement

- **National Voice:** We elevate the national dialogue around the inequities created by current school finance systems.

- **State Engagement:** We work directly with states to help rethink and modernize public school funding systems.

Our primary strategy when engaging with states is to make funding simpler, fairer, more transparent, & reflective of student needs.
How we approach school funding

- **Targeting**: Target funding to districts serving a higher number of students with special needs (special education, low-income and English language learners).

- **Parity**: Provide comparable funding to districts serving students with similar characteristics.

- **Flexibility**: Empower district and school leaders with the flexibility to figure out what works best for their students.

- **Transparency**: Report on district and school spending in order to ensure a constant feedback loop between state funding and district need.
Types of Funding Formulas

Student-Based Formulas estimate a total amount needed for each average pupil and then adjust that amount for students in different need categories.

Resource-Based Formulas are driven by estimated cost of particular inputs (salaries, benefits, materials, etc.).

Program-Based Formulas are composed of discrete funding allocations whose use is restricted to particular programs.
## Types of Funding Formulas (continued)

<table>
<thead>
<tr>
<th><strong>Student-Based Formulas</strong></th>
<th><strong>Resource-Based Formulas</strong></th>
<th><strong>Program-Based Formulas</strong></th>
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</thead>
<tbody>
<tr>
<td>• Inherently responsive to changes in student demographics</td>
<td>• Reflect a particular, frozen-in-time vision of education</td>
<td>• Least flexible way of funding schools</td>
</tr>
<tr>
<td>• Flexible at the district and school levels</td>
<td>• May include more limited-use funds</td>
<td>• Least responsive to changes in pedagogical methods</td>
</tr>
<tr>
<td>• Responsive to changes in pedagogical methods</td>
<td>• Can be responsive or nonresponsive to changes in student demographics, depending on design</td>
<td></td>
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<td>• Calculation is clear and transparent</td>
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Texas Per-Pupil Spending in Context

- **Basic Allotment:** Texas’s 2018 basic allotment is $5,140 per pupil.
  - The parallel figures in other states range from $2,425 to $11,009.
  - Of 28 states using fixed base amounts in their formulas, Texas ranks 14th.

- **Overall Spending:** In 2014-15, Texas spent $9,818 per pupil in nonfederal dollars.
  - The parallel figures in other states range from $7,032 to $23,096. For the country as a whole, it was $12,258.
  - This per-pupil spending level places Texas 36th out of 50 states.

- **These figures are not adjusted for local costs, so effective funding levels will vary.**
Adjustments for District Characteristics

Stage 1 Adjustments
- Basic Allotment
- Small and Mid-Sized
- Sparsity
- Cost of Education Index

Stage 2 Adjustments
- Special Ed
- Bilingual
- Career and Tech
- Compensatory Ed
- Pregnancy-Related
- Gifted & Talented

Tier I Amount
Adjustments for Student Characteristics

- **Grade Level**: High School Allotment: an additional $275 for each student in grades 9-12
  - This allocation amounts to an effective weight of 5.3%.
  - Many states provide additional funding for specific grade levels, often through weights rather than flat allocations.

- **Special Education**: Special education is funded using 12 different weighted categories—the second-most in the country after Oklahoma.
  - Students are assigned to categories primarily by placement, such as self-contained, homebound, or mainstream.
  - One of 17 states whose special education funding system includes multiple student weights.
  - Other, similar systems more frequently assign students to categories based on diagnosis.

- **Gifted**: Gifted and talented students are funded at an additional 12%, with the count capped at 5% of enrollment.
  - State mechanisms for funding gifted education vary and include grants, allotments for identified students, and funding based on assumed numbers of gifted students.
• **Economic Disadvantage**: Students who are eligible for free or reduced-price lunch are funded at an additional 20% to fund state compensatory education services.
  • Parallel weights in other states range from 5% to 97%
  • This system of identifying disadvantaged students is becoming less accurate over time

• **English-Language Learners**: Bilingual and ESL students are funded at an additional 10%.
  • Parallel weights in other states more frequently fall between 20% and 60%
  • This allocation is especially relevant in light of demographic shifts in the public school population
Historical Elements of Texas’s Funding Formula

• **Compressed Tax Rate**: Based on 2005 school district tax rates.

• **Regional Cost Adjustment**: The Cost of Education Index is based on district data from the 1989-1990 school year.

• **Basic Allotment**: Frozen from 2010-2013 and again from 2016-2019.
Transparency and Clarity of Student-Based Funding

Per-Student Allotment + Weighted Funding

Target Spending

Aligned Reporting of Actual Spending

Outcomes Analysis

Broad Understanding, Accountability, and Policy Refinement
Policies Regarding State and Local Responsibility

- **US Average**:
  - State: 49.9%
  - Local: 50.1%

- **Texas**:
  - State: 41.5%
  - Local: 58.5%

- **Texas**:
  - Model District:
    - State Aid
    - Expected Local Contribution
    - Extra Local Funds

- **Percent of Revenue**:
  - 100%
  - 75%
  - 50%
  - 25%
  - 0%
The local share is calculated separately for each district and may be based on:

- Property Values
- Income or Wealth
- Share of Costs
- Historical Levels
Questions