Overview of a School Finance Plan That Makes Sense for Everyone

An Equity Center Presentation for
The Commission on Public School Finance
March 19, 2018
Principles of an Efficient Funding System

• Funding for Texas’ students needs to make sense for everyone. It cannot be based on one district’s crisis or even on a set of runs.

• Funding decisions must be based on actual costs to educate students...holding to the TEC §42.001 promise to provide substantially equal access to a similar education at a similar tax rate.

• Funding Texas’ schools should be fair to Texas’ taxpayers. Your dollar should generate the same level of funding for your children as my dollar does for mine.
FY 18 Revenue per WADA at Adopted M&O Tax Rate

TEA January 2018 DATA

$0.71 Tax Rate provides $9,883 per WADA

58% of Tax Effort provides a $90,000 per Classroom advantage

$1.24 Tax Rate provides $6,843 per WADA
A Simplified, Efficient System of School Finance

Remove Current Non-cost Based Inefficiencies

Create a New Single Tier Formula Funding System

Calculate the Distribution

Using efficiency savings and excess to Entitlement to Raise the Basic Allotment and Address Needs
Every District is Guaranteed Access to the Full Sum of its Five Instructional Allotments, plus Transportation
(Enrichment funding is accessible for all districts, as shown in the following two slides)

<table>
<thead>
<tr>
<th>Regular Program</th>
<th>Transportation</th>
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<tbody>
<tr>
<td>Special Education</td>
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<tr>
<td>Career &amp; Technology</td>
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<tr>
<td>Compensatory Education</td>
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<td>Bilingual Education</td>
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Inputs in calculating the five instructional allotments include current law adjustments (Cost of Education Index, Diseconomy of Scale Adjustments and various Program Weights) in order to reflect varying costs among children and districts in achieving the state’s academic goals. The allotments are all calculated in the plan in the same manner they are currently calculated for state funding. For details regarding the state’s methodology, see the Texas Education Agency’s Summary of Finance at [https://tealprod.tea.state.tx.us/fsp/Reports/ReportSelection.aspx](https://tealprod.tea.state.tx.us/fsp/Reports/ReportSelection.aspx) or contact the Equity Center for more details. Please note this plan does not change those basic elements because any changes to weights or formulas should be determined by the Legislature, based on unbiased and objective studies, and reflective of actual costs, hopefully reviewed on a rotating cycle.
Every District is Guaranteed Access to the Full Sum of its Allotments, plus Transportation and Enrichment

- M&O Tax Effort (Adopted M&O Rate, adjusted by Local Option Homestead Exemption impact)
- Transportation
- Sum of all 5 Instructional Allotments
  - Regular Program
  - Special Education
  - Career & Technology
  - Compensatory Education
  - Bilingual Education
Determine Funding Levels

• Assume, for ease of following the calculations, the sum of the five instructional allotments is $1,000,000 and the Transportation Allotment is $50,000.

Examples:

\[(\text{BA} \times \text{Sum of 5 Allotments} \times \text{Tax Effort}) + \text{Transportation} = \text{Funding Level}\]

\[
\begin{align*}
(1,000,000 \times 1.00) &= 1,000,000 + 50,000 = 1,050,000 \\
(1,000,000 \times 1.04) &= 1,040,000 + 50,000 = 1,090,000 \\
(1,000,000 \times 0.96) &= 960,000 + 50,000 = 1,010,000 \\
(1,000,000 \times 1.17) &= 1,170,000 + 50,000 = 1,220,000
\end{align*}
\]

For every 1 cent increase (or decrease) in tax effort, funding increases (or decreases) by 1%
## Determining State/Local Funding for M&O

<table>
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<tr>
<th>1</th>
<th>ASF Per Capita</th>
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<tr>
<td>2</td>
<td>Local Tax Collections for the School Year</td>
</tr>
<tr>
<td>3</td>
<td>State Funding</td>
</tr>
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The State provides whatever is lacking after applying the Available School Fund Per Capita payment and the M&O tax collections (both current and delinquent) for the school year.

Local M&O taxes collected during the school year constitute a district’s local share.

The first payment to fund a district’s M&O funding amount comes from its Available School Fund Per Capita distribution.
Determining M&O “Excess” for Property Wealthy Districts

M&O collections in excess of the Earned M&O Allotments level are **used to increase the Basic Allotment**, enriching the total system for all districts, taxpayers, and children.

Local M&O taxes collected during the school year constitute a district’s local share.

The first payment to fund a district’s M&O funding amount comes from its Available School Fund Per Capita distribution.
Texas School Finance--FY 18 on a Cost Based Formula--BA $5,583

Revenue per WADA Without Transportation