Texas School Funding Reform in Context

EdBuild presentation to the Texas Commission on Public School Finance

February 8, 2018

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.

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- **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.

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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.

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Types of Funding Formulas (continued)

Student-Based Formulas

- Inherently responsive to changes in student demographics

- Flexible at the district and school levels

- Responsive to changes in pedagogical methods

- Calculation is clear and transparent

Resource-Based Formulas

- Reflect a particular, frozen-in-time vision of education

- May include more limited-use funds

- Can be responsive or nonresponsive to changes in student demographics, depending on design
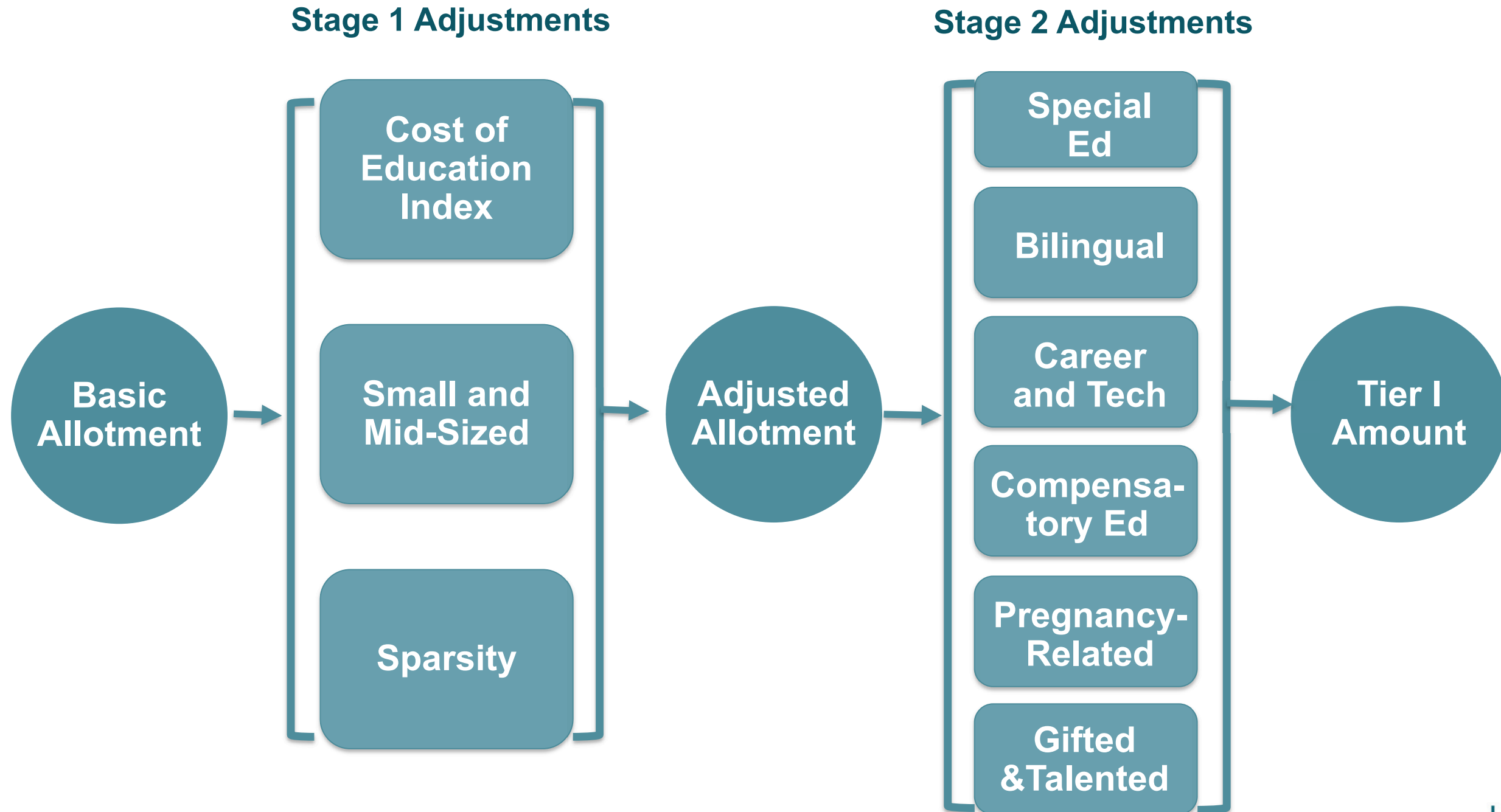
Program-Based Formulas

- Least flexible way of funding schools

- Least responsive to changes in pedagogical methods

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- **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 <u>nonfederal</u> 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.**

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Adjustments for District Characteristics

Stage 1 Adjustments

Stage 2 Adjustments

Basic Allotment

- Cost of Education Index
- Small and Mid-Sized
- Sparsity

Adjusted Allotment

- Special Ed
- Bilingual
- Career and Tech
- Compensa-tory Ed
- Pregnancy-Related
- Gifted &Talented

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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.
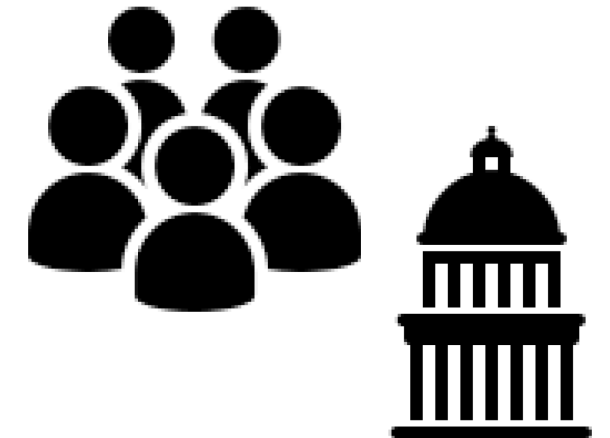
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Adjustments for Student Characteristics (continued)

- **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

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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.

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Transparency and Clarity of Student-Based Funding
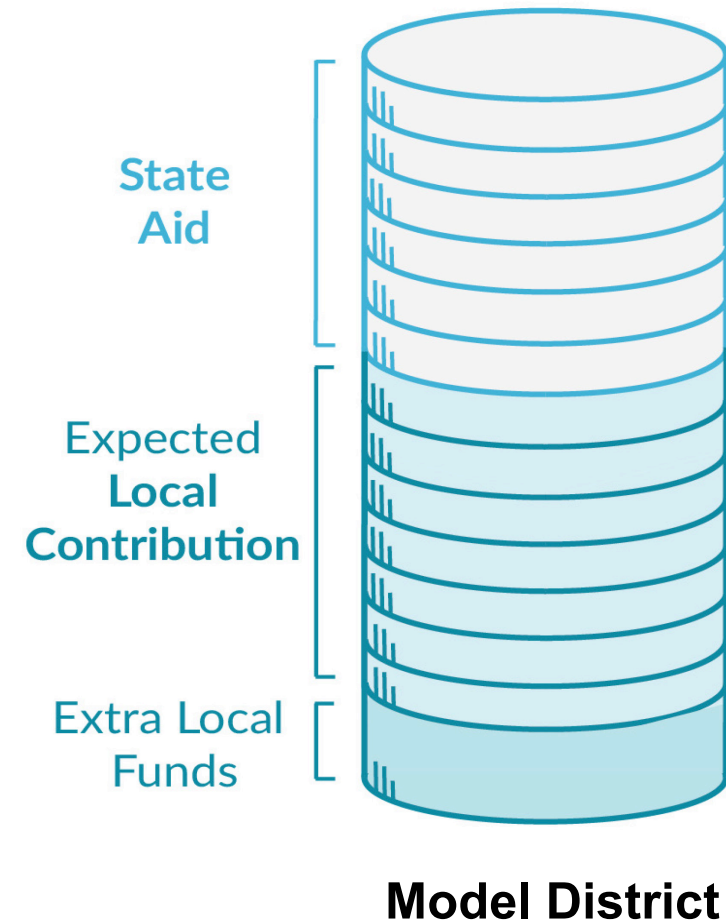

**Per-Student Allotment
+ Weighted Funding**
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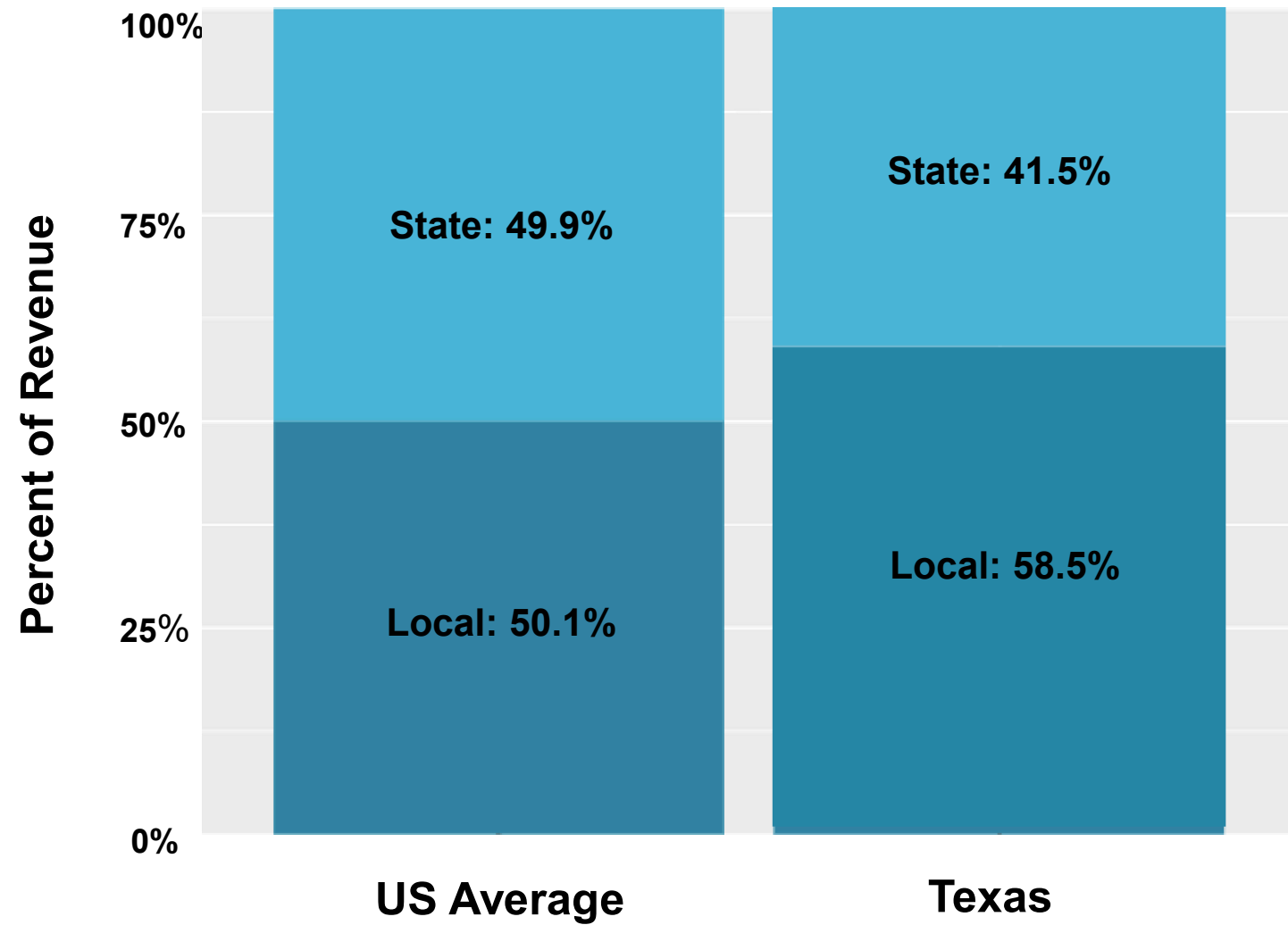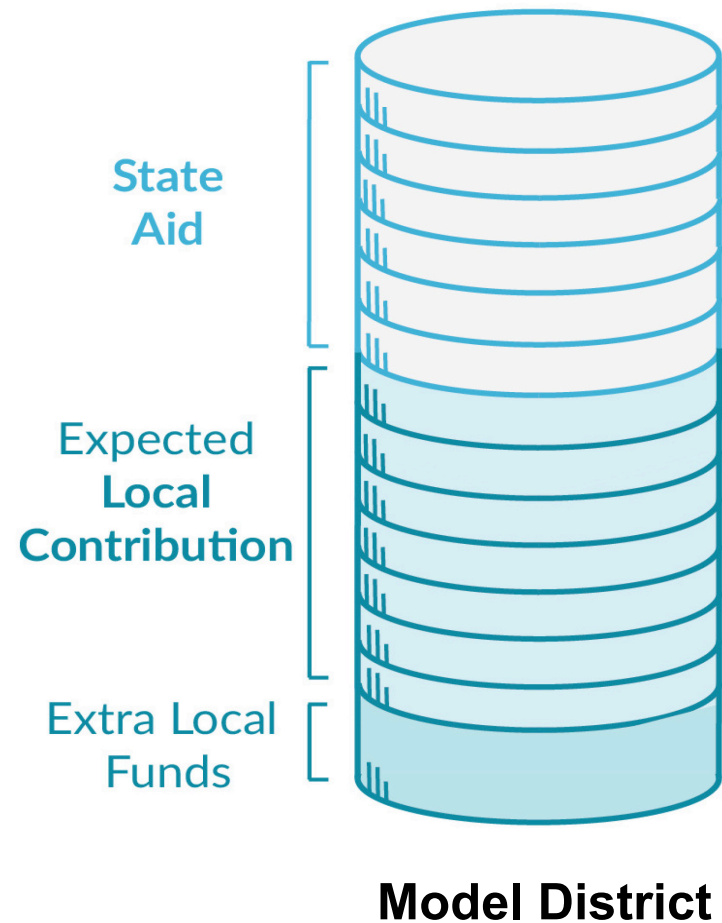**Target Spending**

**Aligned Reporting
of Actual Spending**

**Outcomes
Analysis**

**Broad Understanding,
Accountability, and
Policy Refinement**

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Policies Regarding State and Local Responsibility

Percent of Revenue

- 100%
- 75%
- 50%
- 25%
- 0%

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

Texas
- State: 41.5%
- Local: 58.5%

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

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State Aid

Expected **Local Contribution**

Extra Local Funds

Model District

The local share is calculated separately for each district and may be based on:

- Property Values

- Income or Wealth

- Share of Costs

- Historical Levels

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Questions