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Underlying Structure of the Current Texas Public School Finance System

Testimony before the Texas Commission on Public School Finance
by Daniel Casey

Mr. Chairman and Members of the Commission:

The Texas Commission on Public School Finance has before it an important charge to make recommendations to improve the current school finance system or to consider new methods of financing public schools. While previous Commission meetings have had several general presentations on the Foundation School Program, there has been little discussion of the policy changes that have led to its current structure. Key actions over the last 40 years are summarized below.

1. **Property Tax Reform Efforts (1978-81)**: Creation of county appraisal districts and establishment of what is now the Comptroller's annual property value study used in the calculation of state aid and recapture represented a major overhaul of property tax administration.
2. **A Nation at Risk, Select Committee on Public Education (SCOPE), House Bill 72 (1983-84)**: Resulted in a major redesign of the school finance system from one based on modified personnel unit system to per student funding formulas with program weights and other adjustments (many still in effect as approved in 1984).
3. **Edgewood Litigation and Legislative Responses, Recodification of the Texas Education Code (1987-95)**. Established the principle of "similar revenue for similar tax effort" that resulted in a significant equalization of state and local funding for public schools, which included "recapture" of M&O taxes from high-wealth school districts.
4. **School Facilities Funding (1997-99)**. Facilities funding was not addressed in *Edgewood IV* Texas Supreme Court opinion "only because of an evidentiary void." Legislature responded with creation of the Instructional Facilities Allotment (IFA), Existing Debt Allotment (EDA) and New Instructional Facility Allotment (NIFA) programs.
5. **West Orange-Cove II and Tax Compression (2004-06)**. Majority of school districts with a supermajority of students were taxing at the maximum M&O tax

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- rate of \$1.50, in violation of constitutional provision that prohibits a state property tax. Major legislative reforms resulted in M&O tax rate compression for school district.
6. **State Budget Cuts (2011-13)**. Formula reductions were made to the regular program and target revenue. A number of non-formula programs were reduced or left unfunded.
 7. **Texas Taxpayer, . . . School Finance Litigation (2013-16)**. Reaffirmed “it shall be the duty of the Legislature” to provide for the support and maintenance of a system of free public schools, under Art. VII, Sec. 1 of the Texas Constitution.

Two Areas Where Policy Efforts Have Failed

1. **School Finance Study Process as a Mechanism for Updating the School Finance System (since 1995, along with earlier efforts)**. Section 42.007 of the Education Code (attached) calls for the Legislative Budget Board to conduct a biennial study of the major funding elements for public education. Study requirements have not been adhered to and have not been a vehicle for improvements to the funding system.
2. **Unsuccessful Teacher Career Ladder Pay System (1984-1993)**. Career ladder program provided for up to an additional \$6,000 in supplemental pay, when average teacher salaries were in the \$23,000-\$25,000 range at the time the program was established. The program was abolished in 1993 before level four (\$6,000) was implemented. For the 1992-93 school year, 132,855 teachers received either level two or level salary supplements (up to \$4,000). While the program was abolished, teachers continued to receive the salary supplements that had been in place.

EDUCATION CODE REFERENCES TO EQUALIZED FUNDING ELEMENTS STUDY

Sec. 42.001. STATE POLICY. (a) It is the policy of this state that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through state revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(b) The public school finance system of this state shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

Sec. 42.007. EQUALIZED FUNDING ELEMENTS. (a) The Legislative Budget Board shall adopt rules, subject to appropriate notice and opportunity for public comment, for the calculation for each year of a biennium of the qualified funding elements, in accordance with Subsection (c), necessary to achieve the state policy under Section [42.001](#).

(b) Before each regular session of the legislature, the board shall, as determined by the board, report the equalized funding elements to the commissioner and the legislature.

(c) The funding elements must include:

(1) a basic allotment for the purposes of Section [42.101](#) that, when combined with the guaranteed yield component provided by Subchapter F, represents the cost per student of a regular education program that meets all mandates of law and regulation;

(2) adjustments designed to reflect the variation in known resource costs and costs of education beyond the control of school districts;

(3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter C, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;

(4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter F;

(5) the enrichment and facilities tax rate under Subchapter F;

(6) the computation of students in weighted average daily attendance under Section [42.302](#); and

(7) the amount to be appropriated for the school facilities assistance program under Chapter [46](#).

(d) Repealed by Acts 2005, 79th Leg., Ch. 741, Sec. 10(b), eff. June 17, 2005.