



# The Legislative Study Group

An Official Caucus of the Texas House of Representatives

Chair, Rep. Garnet Coleman

Treasurer, Rep. Armando Walle

## Bill Analysis for HB 21

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**Recommendation: Favorable w/concerns**

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**Representative**

**Desk**

HB 21 is a promising first step towards improving a school finance system that is notorious for its complex nature and convoluted funding mechanisms. The system has been heavily criticized for having outdated funding elements, and it has been accused of not funding education equitably. This is due in part to the fact that Texas funds public schools by using a property tax system that creates an unfair dynamic in which the poorest school districts tax at a higher rate than the state's wealthiest school districts but receive less from the state in per pupil funding.

Although this bill does not make the substantial changes to the school finance system that are necessary for decreasing disparity, it makes meaningful improvements. Contingent on the passage of HB 21, the House budget contains an increase of approximately \$1.5 billion in state aid to districts, which increases per pupil funding for 95% of districts, 98% of all students in the state.

School districts are funded through three main sources: local school district property taxes, state funds, and federal funds. A school district's property tax rate is made up of a Maintenance and Operation (M&O) tax and an Interest in Sinking (I&S) tax. The M&O tax pays for the day-to-day operations of the district, and the I&S tax pays the money due on bonds issued by the district to construct facilities.

The state provides several revenue streams including: The Foundation School Program (FSP), Facilities Funding, and Grants. The main source of state dollars for school districts come from the FSP. These dollars are from general revenue, the Available School Fund (ASF), state lottery dedicated revenue, etc. The FSP is the primary means of distributing state aid to Texas schools. This program funds the schools finance formulas to pay for day-to-day operations.

The distribution of these dollars along with some local dollars can be found in Chapter 41 and 42 of the education code. They are divided into two tiers of formulas. Tier 1 consists of the Basic Allotment (BA) and is currently set in statute at \$4,765 per student or a higher amount through the appropriation process. Tier I is supposed to provide districts with adequate funding necessary to deliver a basic education program, but most districts find that they cannot provide an adequate level of education with their Tier I funding. Tier II is intended to supplement Tier I funding; it pays for enrichment (i.e. education activities and programs chosen by the school district to customize its education experience).

Once the basic allotment is set, there are adjustments made to it in order to determine the level of funding each school district needs. The adjustments are based on district and student characteristics (i.e. district size, teacher salary in neighboring districts, special education students, gifted and talented). Adjustments and weights drive additional funding to districts in an attempt to help cover costs arising from district and student characteristics.



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**HB 21 eliminates:**

- The High School allotment
- The Transportation allotment
- A 1993 Hold Harmless Provision
- Additional State Aid for Staff Salary Increases

**HB 21 provides:**

- Hardship Grant
- New Weight for Dyslexia Students
- Increase to the Bilingual Allotment Weight
- Expands the Career and Technology Allotment Weight

**Basic Allotment**

If HB 21 passes, the budget increases the basic allotment, which is the base level of funding all districts start with, from \$5,140 to \$5,350 per student in each year of the biennium. A portion of this funding increase comes from the elimination of funding elements that are considered outdated and inefficient. The bill also creates, increases, and expands funding elements that benefit all school districts.

**Eliminates the High School and Transportation Allotment**

By eliminating the high school and transportation allotments and essentially folding them into the basic allotment, per pupil funding across the state would increase by about \$210. An increase in the state's share of funding to public schools by this amount lowers the burden of recapture, the state's mechanism for collecting money from "property-rich" districts and redistributing it to "property-poor" districts, by approximately \$173 million in 2018 and \$205 million in 2019.

**Eliminates A 1993 Hold Harmless Provision**

The hold harmless provision that the bill repeals was originally designed to transition districts into the recapture system. This is an outdated and inefficient funding element that currently benefits less than 40 districts.

**Eliminates Additional State Aid for Staff Salary Increases**

Additional State Aid for Staff Salary Increases (Sec. 42.2513) is a section of the Education Code that essentially designates funds to school districts specifically for support staff salary increases. The repeal of this section does not remove districts' requirement to increase wages for support staff; neither does it have the effect of reducing the amount districts are required to pay support staff. The aforementioned section of code is rendered unnecessary by the protection to support staff provided under Section 22.107 of the Education Code, Wage Increase for Support Staff.

**Hardship Grant**

The bill creates a Hardship Grant that provides assistance to districts in order to defray the financial hardship of ASATR's expiration. Nearly 160 school districts still receive money through ASATR (Additional State Aid for Tax Reduction), which is set to expire in September. The grant is set to expire in September of 2019.

**New Weight for Dyslexia Students**

HB 21 adds a 0.1 weight for students with dyslexia. This new funding weight provides districts with an additional 10% of funding for students with dyslexia. The bill limits eligibility for funding through this allotment to not more than 5% of a district's students in average daily attendance.



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**Increases Bilingual Allotment Weight**

The bill increases the bilingual allotment weight from 0.1 to 0.11. This is an allotment that has not been increased since its inception in 1984. Data shows that bilingual education is a small investment with a large return for the state in the form of a well-educated workforce.

**Expansion of the Career and Technology Allotment Weight**

The bill also expands the current career and technology funding to include eighth grade and technology application courses. The expansion of this allotment creates greater accessibility to Career and Technology Education (CTE) programs.

**Concerns that are important to highlight for HB 21**

HB 21 does not increase the basic allotment in statute; it only increases the basic allotment for the next biennium. The bill's intent is to eliminate certain allotments in order to increase the basic allotment. Increasing the basic allotment in statute is necessary to fulfill the bill's intent.

Under HB 21, transportation costs shift from being a separate expense with distinct costs factors to being mixed into the basic allotment. Consequently, the bill does not provide transportation funding to districts based on need or cost. Including transportation in the basic allotment essentially means that districts and charters that provide little to no transportation service to students will receive funding for an expense they do not incur.

**Comments on Disparity**

A school finance system that uses local property taxes to fund education is inherently inequitable. In school districts across the state, classroom sizes have been increasing past state-recommended teacher-student ratios. Disparity and inequity in this system force school districts to make sacrifices in various departments while struggling to keep up with the minimum education standards set by the state. Past funding cuts have caused districts to raise taxes or seek donations to keep extracurricular programs, extra school supplies, and other options available to students. HB 21 is a good first step, but without a statutory increase to the basic allotment and significant funding formula changes, Texas' school finance system continues to be inequitable.