

Investing in Our Future:

What you need to know as Texas re-examines the school finance system

by Chandra Villanueva

In January, the newly created Texas Commission on Public School Finance [began studying and making recommendations to improve the school finance system](#). This five-part series prepares readers to engage with lawmakers and the school finance commission by providing background on past school finance commissions, the strengths and challenges of the current finance system, and recommendations for improvements.

- [Part 1: How We Got Here – Lawsuits, Studies, and Inaction](#)
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- Part 3: Money in Education Matters – Determining the Cost of a High Quality Education
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Part 2: Leveling the Playing Field: Ensuring Fair Access to Education Funding

The Texas Constitution recognizes that education is the bedrock of an informed democracy and the bridge to lifelong opportunities by directing the Legislature to establish a system of free public schools. As a state, we rely on our public education system to develop a talented workforce and promote shared prosperity. But in order to fulfill our promise to the next generation of young Texans, we must ensure that all kids have access to a quality education, no matter where they live or what their background.

Money in education matters. Well-funded schools are better able to implement the tangible programs known to improve student outcomes, such as certified and well-trained teachers, high quality early education, and increased summer learning opportunities. Equally important to the level of resources the school finance system provides, is how the funding is distributed between districts.

There are over 1,200 school districts spread across Texas, and no two are exactly alike. Every child enters the education system with a different set of skills, experiences, and abilities. Beyond differences between students, districts also vary in their size, geographic location, and ability to raise funds locally to ensure all students reach the same high expectations.

It is the state's role to level the playing field between districts so that all children have fair access to education funding. The Texas Commission on Public School Finance is tasked at reviewing current methods used to adjust for types of students and other district differences.

Part 2 of this series examines the primary ways the playing field is uneven between districts and students, how the formulas attempt to level out access to funding, and our recommendations for improving equity, or fairness, between districts.

Different Kids Need Different Levels of Resources

Student backgrounds and abilities influence educational outcomes. Students with special needs benefit from modifications and accommodations that support academic success. Children with limited English proficiency require early, persistent, and intensive instruction to develop strong language skills. Providing advance curriculum keeps gifted and talented students engaged. Because the stresses of living in poverty are known to negatively impact academic performance, it is important to ensure low-income children have access to enhanced academic and social supports when needed.

When all students are funded equally, the differences students bring into the classroom are exasperated. When funding is equitable, or directed to where there the need is greatest, all students gain access to the same opportunities.

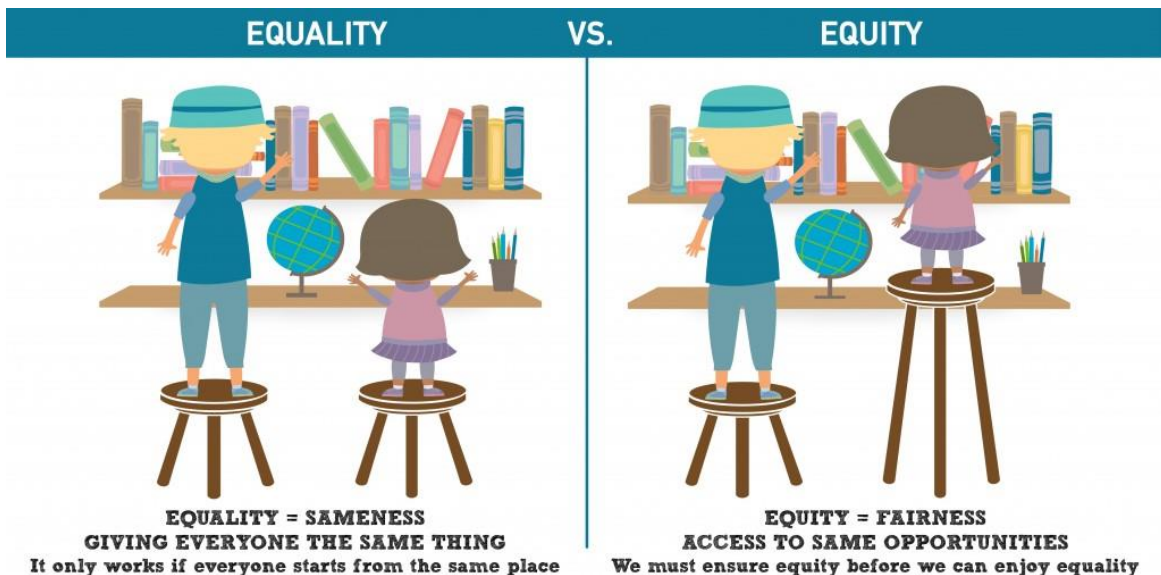


Image Source: www.getsmartoregon.org

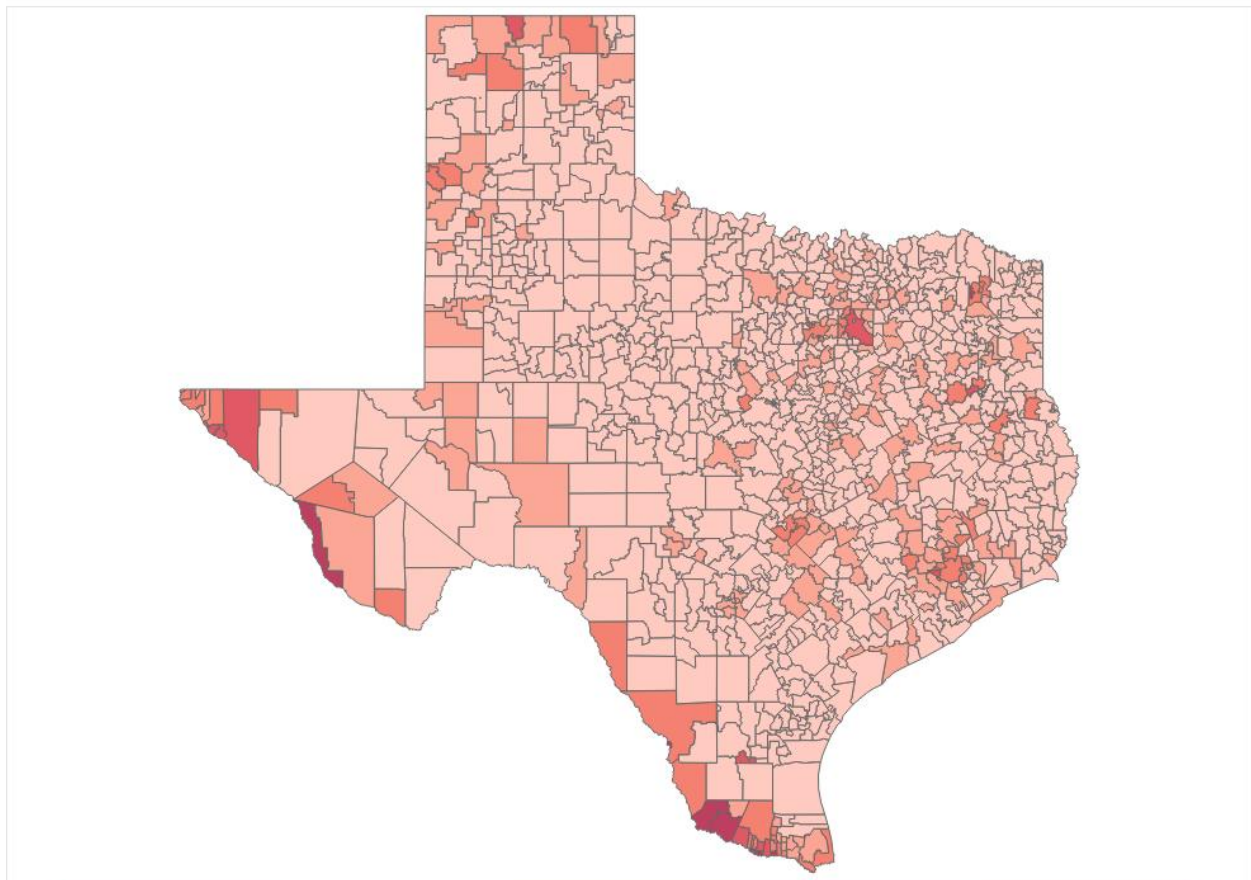
In an effort to direct funding based on student need, in 1984 the Legislature developed a system of “weights” that increase the base per student funding level for select special populations. For example, low-income students—those who participate in the federal free or reduced lunch program—receive a weight of .20, or 20 percent additional funding over base level funding. Texas provides weighted funding for special education, English language learners, low-income and at-risk students, gifted and talented, and career and technical education.

Weighted funding, also referred to as student-based funding, is the most prevalent method used to across the country to adjust for student differences. Thirty-seven states use weighted funding to support low-income students. Twenty states use weights to support English language learners and special education students, and 33 states use weights to support gifted and talented students.¹

By implementing weighted funding in 1984, Texas was one of the first states to recognize that kids in different circumstances need different levels of support to be successful. Weighted funding continues to be a growing trend with California, Rhode Island, and North Dakota all adopting weighted funding systems in recent years.²

Weighted funding for special populations is preferred over other funding distribution methods such as flat grants, census based funding, or cost reimbursements because it is a transparent student-based form of funding that also provides districts stability and flexibility to address the unique needs of the community. Since student populations are not spread evenly across Texas, weighted funding ensures students in need of additional supports have access to additional funding regardless of where they live.

Weighted Funding Directs Resources to Students



0.00 66.80

Percent of English Language Learner Students by School District (Source: TEA 2015-16 Snapshot Data)

Funding for Special Populations is Outdated and Underfunded

While weighted funding is considered a best-practice for distributing funding to students based on need, the Texas system is so outdated and underfunded that the weights do not provide enough funding to fully support the services and interventions students need to be successful. Most of the weights currently used today were established 30 years ago and set below recommended levels.

The school finance commission from 1984, which advocated for the adoption of the weighted funding system, determined that school districts should be allocated 40 percent additional to meet the needs of low-income students and 20 to 40 percent additional funding for English language learners. Through the legislative process, those amounts were arbitrarily whittled down to 20 percent additional funding for low-income students and 10 percent for English language learners—both funding rates remain the same today.

Underfunding of the weights was compounded when the Legislature also decided to set the base level of funding at 74 percent of the level recommended by the commission. Because the weights are supposed to provide additional resources over what is needed to provide a basic education, it is important that base level funding also accurately reflects educational costs. Subsequent efforts by the State Board of Education, the Legislative Budget Board, and other research organizations to align base level funding with identifiable costs have been rejected by the Legislature.

Persistent underfunding of base per student costs, coupled with inadequate weighted funding has left schools unable to provide the full range of supports students need to overcome barrier to academic success.

No Two School Districts are Exactly Alike

There are 1,207 school districts and charter schools spread across the 254 counties of Texas. No two school districts are exactly alike, yet we rightly hold all districts to the same high standards. Differences in district size and geographic location lead to differences in operating expenses that are outside of the district's control.

The largest school district has over 200,000 students while the smallest school district has just 12 students. Twenty-one school districts, excluding charter schools, have under 100 students. Because our small rural school districts must provide the same quality and variety of educational opportunities to much smaller student bodies, the school finance formulas adjust for district size for districts with enrollment up to 5,000 students. In total, 31 states make some kind of adjustment for district size in their school funding formula.³

The changes made to the school finance system in 1984 included recognition that regional differences create cost variances outside of a school district's control. After several iterations, the Cost of Education Index was implemented in 1991 to adjust for differences between districts such as cost of living compared to other districts, size of the district, and percent of low-income students. Today the Cost of Education Index is still based on 1989-1990 data and does not reflect the growth and changes many areas of the state have experienced in the past 27 years.

Recent Legislative Action Improves Equity between Small Districts; Fails to Address Other Regional Differences

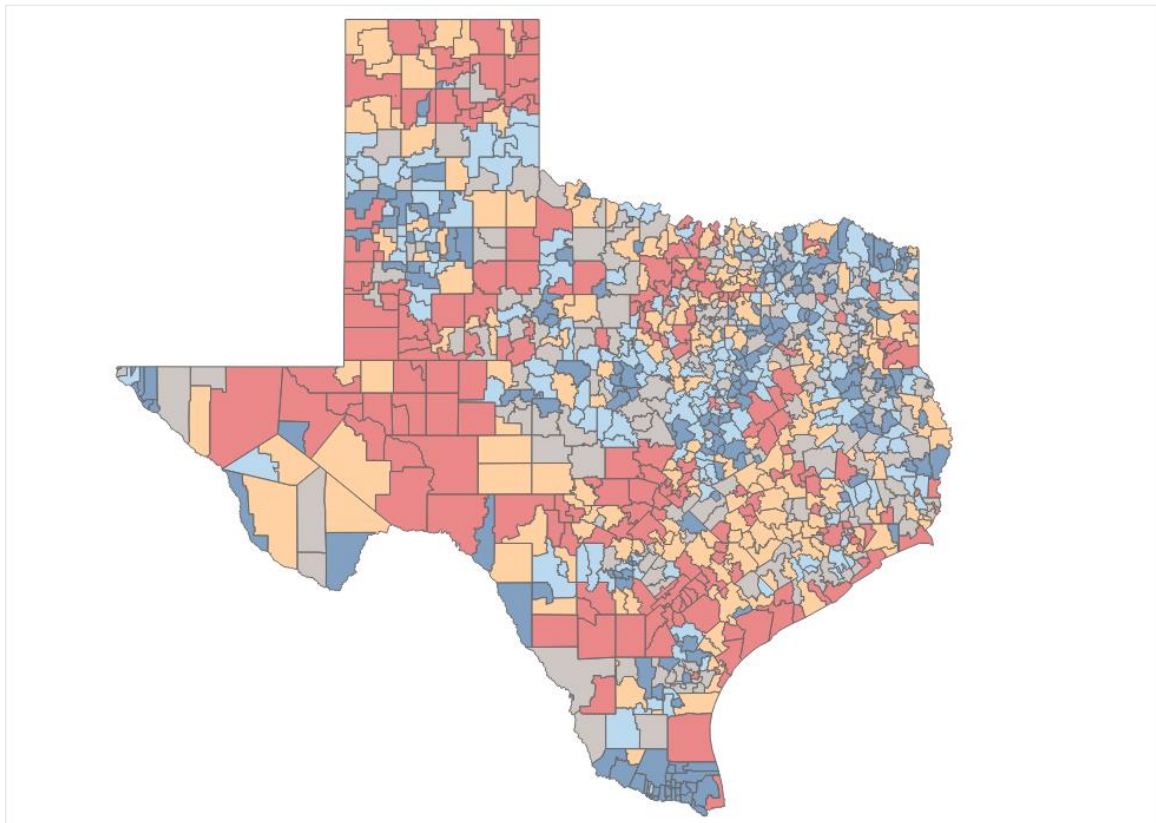
In an effort to encourage small districts to consolidate, districts that had a low student population and were also under 300 square miles received a smaller funding adjustment than districts with similar student populations but covered more than 300 square miles. Since the 300 square mile measure is arbitrary and few districts consolidated due to the penalty, legislation passed in 2017 will phase out the provision over the next five years.

However, no effort was made to re-examine how we adjust for regional difference or to update the data used in the current cost-of-education index.

Unequal Property Values lead to Unequal Ability to Support Education Locally

Texas gives school districts the authority to tax property within its boundaries to support public schools. The amount of funding a school district is able to collect locally depends on the per-student value of the property within the district. Texas is a large state with various industries and population patterns, creating unequal distributions of property wealth across the state. To level the playing field, school districts with low property wealth per-student receive more state funding than districts with higher wealth per-student.

Property Wealth per-Student Varies Across the State

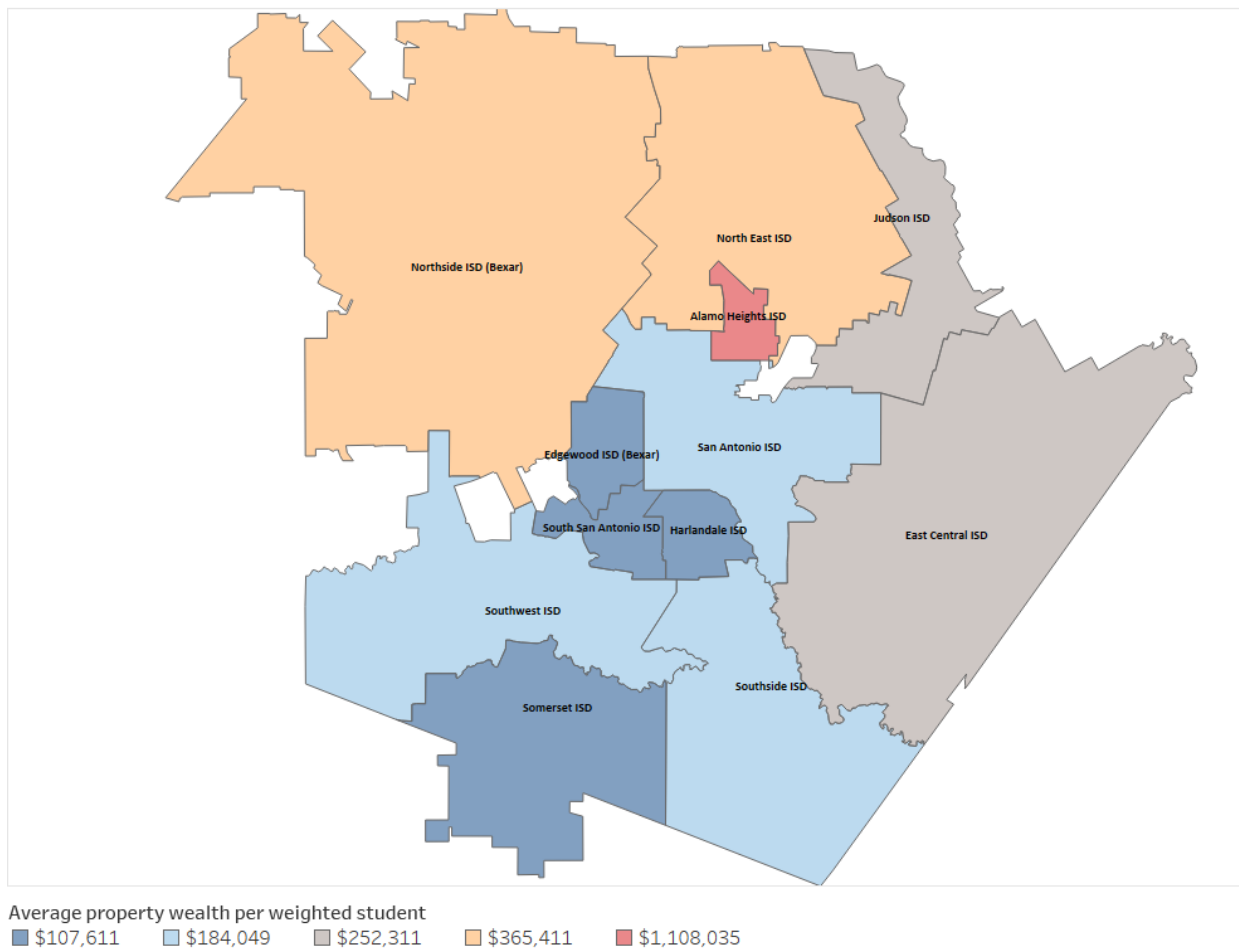


Average property wealth per weighted student
■ \$107,611 ■ \$184,049 ■ \$252,311 ■ \$365,411 ■ \$1,108,035

Because school districts in Texas are independent, meaning they are not tied to any city, county, or other municipal boundary, it is not uncommon to see large disparities in per-student property wealth between neighboring districts. These district wealth disparities are often the result of the racial and economic segregation used to shape communities, especially in urban and suburban areas. A recent analysis by [Vox](#) shows how school districts and attendance boundaries within districts are drawn to perpetuate residential segregation.⁴

In Bexar County, home of San Antonio, property values per student vary greatly across 12 school districts (three districts in Bexar County are military schools and do not have taxing authority). Edgewood ISD, known for its connections to the long history of school finance litigation, is one of the property poorest districts in the state with only \$77,751 in property value per student. Alamo Heights ISD, less than 12 miles away, has a wealth per student of \$1,101,285 for the 2016-17 school year—yet both districts are expected to meet the same high educational standards with drastically different sources of revenue.

Property Wealth per-Student Varies Across Bexar County



Recapture is an Equity Tool to Address Wealth Disparities between Districts

In addition to providing state support to property-poor districts, the school finance system reduces inequities created by property tax disparities through the use of recapture. Under recapture, often called Robin-Hood, any revenue collected locally over an amount based on district and student characteristics is sent to the state to be redistributed back to other districts and charter schools.

Texas children deserve a quality education regardless of whether they live in a property rich or poor school district. In the most recent lawsuit, the state Supreme Court credited recapture with improving equity between districts. Yet, underfunding of the system as a whole is so severe it has led some property-wealthy school districts to oppose recapture because they lack sufficient funds to meet the growing needs of their students.

Recommendations:

While the Texas school finance system is in need of some serious [renovations](#), it is not a tear down. During a remodel you keep the parts that are working and build upon them. To improve the school finance system the Texas Commission on Public School Finance should explore:

- Updating base funding levels and the weights: Weighted funding is considered the best-practice for funding schools based on student need and a method pioneered in Texas. To ensure the weights have the intended impact, base level funding also needs to be adjust for current costs. Updating these funding elements provides the added benefit of reducing recapture for districts with high numbers of low-income and English language learner students.
- Updating the Cost of Education Index: Adjusting for regional differences is important in a large state like Texas, but to be effective current data that reflect current economic conditions must be used.

¹ Versteegen, Deborah. and Robert Knoeppel. A 50-State Survey of Finance Policies and Programs: The 2015 Data Collection Results; Feb. 2016.

² Ibid.

³ Ibid.

⁴ Chang, Alvin. *We can draw school zones to make classrooms less segregated: Is your district drawing borders to reduce or perpetuate racial segregation?* Vox.com <https://www.vox.com/2018/1/8/16822374/school-segregation-gerrymander-map>; Jan. 2018.

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