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To Improve Efficiency and Fairness in School Funding, Let ASATR Expire

Testimony Against HB 811

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The Center for Public Policy Priorities is an independent public policy organization that uses data and analysis to advocate for solutions that enable Texans of all backgrounds to reach their full potential. We envision a Texas where everyone is healthy, well educated, and financially secure.

In order to have a fair and efficient system of school finance, all districts must receive funding through the same system and under the same rules. The Legislature should allow ASATR to expire as scheduled and use the \$600 million in savings to increase the basic allotment.

Background:

ASATR (Additional State Aid for Tax Reduction) is a funding mechanism for school districts, created by the Legislature in 2006, to ensure that no district would lose funding as a result of the school finance reforms that compressed the Maintenance and Operation (M&O) tax rates by one-third. To implement this hold harmless provision, TEA set a target revenue level for each district based on funding levels before the tax rate compression.

Districts that receive ASATR are considered “off-formula” meaning that funding levels are not determined by the various funding adjustments in the Foundation School Program formulas. In essence, these districts are being funded by a separate set of school finance rules that are not tied to current costs or needs.

ASATR provides an unfair funding advantaged for a handful of districts.

An analysis by the Legislative Budget Board found that only 161 districts would have received ASATR funding in 2018 if the funding didn’t expire. Those districts on average would receive \$415 more per weighted student than a non-ASATR district, creating an unfair funding advantage.

The Legislature should let ASATR expire at the end of 2017 for the following reasons:

- The current distribution of districts still on ASATR is not based on student needs or costs. Because ASATR is tied to funding levels at an historic point in time, there is no current justification for why those few districts continue to receive additional funding.
- ASATR was designed to help districts transition after the M&O tax rate compression. The vast majority of districts, 87 percent, are back “on-formula” funding and no longer benefit from ASATR.
- In 2011, the Legislature enacted a phase out plan for ASATR and set an expiration date for the end of fiscal year 2017. Prolonging ASATR further benefits a few districts without addressing the underlying problems within the school finance system.
- ASATR adds another level of complication to an already complex system of school finance. Hold harmless provisions based on historic data, like ASATR, require additional calculations that are not aligned with current cost or need.

The Legislature should invest the \$600 million biennial savings from the expiration of ASATR to increase the basic allotment.

The House budget makes available an additional \$1.5 billion for public education contingent on a school finance reform that improves equity, reduces recapture, and increases the state share of school funding. Increasing the basic allotment, the primary building block that each district starts with, meets all three of those provisions while also reducing the funding gap ASATR districts will experience. The \$1.5 billion, which includes the savings from the expiration of ASATR, falls below the amount needed to keep pace with inflation. Extending ASATR would further reduce the state's ability to address underfunding of the formulas this session.

Any changes to the school finance system should increase equity and efficiency within the system as a whole. Unfortunately, extending ASATR will continue to protect the historic interests of a select few while shifting those costs to the rest of the system.

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cphp.org or 512.823.2875.

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