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HB 21 Again Heads to the House Floor

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The Center for Public Policy Priorities supports House Bill 21, because it is a positive first step toward renovating our outdated school finance system. We applaud Chairman Huberty for removing a provision, added when the bill was reintroduced for the special session, that increased inequities between charter schools and traditional public schools.

House Bill 21 makes the following improvements to the school finance system:

- provides $1.8 billion in additional funding for public schools by raising the basic allotment to $5,350 (contingent on passage of HB 30 the funding mechanism for the bill);
- removes some outdated and inefficient elements from the school funding formula;
- provides a slight increase in funding for English language learners; and
- improves funding equity between small districts.

While we support the bill in its current form, it is unfortunate that a good provision to update the Cost of Education Index (CEI) was removed. The CEI is a measure intended to adjust funding levels for the size of the district, teacher salaries in neighboring districts, and the percentage of low-income students in the district. The CEI is currently based on data from the 1989-1990 school year, and is in need of an update.

We also recommend changes to reverse the unnecessary removal of the transportation allotment and to allow the ASATR (Additional State Aid for Tax Reduction) funding mechanism to expire.

CPPP Recommendations for Improving HB 21

Concern: The elimination of the transportation allotment

House Bill 21 proposes a change to how the state views transportation costs (like school buses) by eliminating the transportation allotment from the school finance formula. The idea is that, going forward, a portion of the main per-student funding level (the "basic allotment") would be dedicated toward transportation expenses. The basic allotment represents base level per-student funding and is the primary building block of the school finance formula. The bill itself does not contain any intent language to describe this funding shift – the transportation allotment is simply eliminated.

The current transportation allotment provides funding for travel to and from schools based on miles traveled and ridership. Though it is based on 30-year-old cost estimates and does not fully account for districts' transportation costs, it does provide transportation funding to districts **based on need or cost**.

Under HB 21, transportation costs shift from being estimated as a separate expense with distinct cost factors to being mixed with funds otherwise dedicated to providing instruction and operation of the school. Including transportation in this base funding would mean that districts and charter schools that provide little or no transportation service to students will receive funding for an expense they do not incur, at the same rates as district with high transportation costs. There is also concern that districts may limit their transportation routes or establish fees for bus service.

Recommendation: **Leave the current transportation allotment in place and conduct a study on updating the transportation allotment in a way that meets actual transportation costs for all districts providing transportation.**

Concern: Continuation of ASATR past expiration date

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 school finance reforms that compressed the Maintenance and Operation (M&O) tax rates by one-third. Phase-out of ASATR began in 2011, with the program set to expire at the end of fiscal year 2017.

Districts that receive ASATR are considered “off-formula” meaning that funding levels are set to match a historical point in time and are not based on the various funding adjustments in the school finance formulas. The Legislative Budget Board reports that only 161 districts, out of over 1,200, would continue to receive ASATR funding in 2018 if the program did not expire. On average, these districts receive $400 more per student than districts not on ASATR funding.

If being on formula funding is a hardship, then the formulas should be addressed. Extending funding for a handful of districts based on historical funding levels is inefficient, and exposes the arbitrary features needing repair within the system.

Recommendation: **Let ASATR expire and design a cost-based school finance system that meets the unique needs of all districts and is equally supported by state and local tax sources.**

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

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