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This Old School House: The renovations needed to modernize our school finance system

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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 background to reach their full potential. We envision a Texas where everyone is healthy, well-educated, and financially secure. To reach this vision, Texas needs a school finance system that is efficient, transparent, and not overburdened by unnecessary complexity.

Maintaining an old house is a lot of hard work. Everyone knows that for a home to retain its value and run efficiently it needs periodic repairs and updates. Our school finance system, in many ways, is similar to an old house that has fallen into disrepair. More than 30 years of legal challenges and legislative adjustments have left it with a bunch of patches and quick fixes that did not address the underlying structural issues. For all Texas children to have equal access to high quality educational opportunities the system needs some serious renovations.

When remodeling, you keep the elements that are working and build upon them.

The Texas school finance system is not a tear down; it has several innovative elements that need to be preserved:

- The school finance system takes into account that different students – whether they live in rural or urban settings, or are gifted, English language learners or have special needs – require different supports and levels of resources to reach their full potential.
- The inherent inequities created by local property tax disparities are reduced through the combination of shared state support and the use of recapture.
- Early education is prioritized for low-income and English language learners by funding a half-day program. This targeted Pre-K program has been shown to increase school readiness and produce savings for the state in the short and long-term through grade level retention, reduced reliance on government assistance and decreased involvement with the criminal justice system.

However, even in these areas there is room for improvement. The system of weights used to direct additional resources to special populations has not been updated since being added to the formulas over 30 years ago. One consequence is that many more districts are falling into recapture, including those with great needs, because state-wide growth in property tax revenue reduces the state share of funding instead of being reinvested back into public education. The system also continues to fund Pre-K at a half-day level, even though the majority of districts now provide a full-day program and are taking resources from other programs to support it.

Several essential steps are needed to ensure the remodel of the school finance system is successful:

- *All good remodels have plans and goals.*
The legislature should conduct a study on the appropriate level of funding needed to meet the educational standards in place.

- *It's time to tear out all the dated wall paper and patch holes in the drywall.*
The school finance formulas need to be cleared of all hold harmless provisions, which are not cost based and make the system inefficient. Funding weights for special populations and other cost adjustment factors, like the cost-of-education index, need to be updated.
- *The foundation must also be reinforced.*
Increasing the Basic Allotment brings the bottom up for everyone, while also reducing recapture for property-wealthy districts and lessens the impact of Target Revenue expiring.
- *Most importantly, the Legislature must take action to ensure the house doesn't fall back into repair.*
This can be accomplished by adjusting the Basic Allotment for inflation or statewide growth in property values.

This moment is an opportunity to move our state forward, and we must modernize our approach to funding our education system. Renovations are hard. It's a messy, dusty, and inconvenient process. But we need to take a fresh look to make sure that what we're doing is advancing our goals of having students graduate high school prepared for college and to enter the workforce.

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

About CPHP

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