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Where Are We Now: Special Session School Finance Update

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After failing to reach a compromise on how to [remodel](#) our school finance system during the regular session, the House and Senate were given another chance when Governor Greg Abbott added school finance reform to the special session call. The school finance topics up for debate include formula improvements, creating a commission to study school finance, expiration of Additional State Aid for Tax Reduction (ASATR), and vouchers for special education students.

With only a couple days left in the special session, the ultimate fate of school finance reform is unknown as the House and Senate continue to push different approaches.

Improving the School Finance Formulas

In the House, Chairman Dan Huberty re-introduced HB 21 from the regular session, with the same bill number.

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- removes some outdated and inefficient elements from the school funding formula;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 HB 21 overall is a positive step forward, CPHP has [concerns](#) about the removal of the transportation allotment and a provision to continue ASATR (Additional State Aid for Tax Reduction) funding past its expiration date.

The formula changes made in HB 21 are contingent on legislation to increase the basic allotment, the base level of per-student funding, to \$5,350 from its current level of \$5,140. House Bill 30 contains the basic allotment increase needed to make the changes in HB 21 work. Both bills easily passed the full House and were delivered to the Senate.

The Senate Education Committee is scheduled to hear HB 21, however Chairman Larry Taylor has already stated he does not support the House's plan. When the Senate Education Committee heard HB 21 during the regular session, the Chairman substituted in language for a [voucher for special needs students](#) and removed all the school finance provisions. The Senate Education Committee will not be hearing HB 30, the bill needed to fund the changes made in HB 21. This signals that the Senate is planning to replace the language in HB 21 with something very different.

The House Committee on Public Education also heard HB 355 this week, a refile of SB 2145 from the regular session by Chairman Larry Taylor. This bill provides a full renovation of the school finance system while preserving the parts that are working well. Under this plan, funding is based on tax effort rather than district wealth, which improves equity between school districts and simplifies the system. Even though HB 355 contains

some of the same provisions as HB 21 and provides a full remodel without adjusting funding levels, the House Public Education Committee is unlikely to move this bill forward. The Senate did not introduce a similar version for the special session.

Commission to Study School Finance

Instead of making small changes around the edges, the Senate is focused on creating a commission to study the school finance system and make recommendations to improve how schools are funded. Though the House is more hesitant to take this approach, arguing we know how to fund our schools, both chambers have heard bills to create a commission. Senate Bill 16 and House Bill 191 vary slightly on the number of commission members and characteristics of appointees, but otherwise call on leadership of the legislature to appoint members from inside and outside the Capitol to explore alternative methods for collecting and distributing funds for public education.

The full Senate has passed SB 16, and the House Public Education Committee passed SB 16 but substituted in the language from HB 191. If SB 16 passes the full House before the end of special session, the Senate can either agree to the House changes or call for a conference committee to work out the differences. It is also possible that the Senate will add a school finance commission to their version of HB 21 when it comes up for a hearing.

Reminiscent of the Perot Commission that led to the passage of a major school finance overhaul in the [1980s](#), this commission has the potential to bring innovative ideas to the next legislative session.

Expiration of ASATR

Additional State Aid for Tax Reduction (ASATR) 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. 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 based on a historical point in time instead of current circumstances.

School districts move off ASATR when formula funding is equal to or greater than its target revenue. Since 2006, most districts left ASATR funding due to increases in the basic allotment.

In 2011, the Legislature took actions to get all school districts on formula funding by 2018 through the introduction of the “target reduction factor,” increasing the basic allotment in 2013 and 2015, and by setting an expiration date for ASATR funding. Over 87 percent of school districts are currently on formula funding.

An analysis by the Legislative Budget Board found that only 161 districts would have received ASATR funding in 2018 if the funding did not expire. Those districts on average would receive \$415 more per weighted student than a non-ASATR district, creating an unfair funding advantage. In order to have a fair and efficient system of school finance, all school districts must receive funding through the same system and under the same rules.

House Bill 21 contains funding for “hardship grants” that would assist districts impacted by the expiration of ASATR. Another proposal, HB 22, to extend ASATR for two-years was defeated on the House floor. In a last minute effort to protect districts on ASATR, the House Public Education Committee quickly passed HB 387, a modified version of HB 22. This bill still must gain approval of the full House.

In the Senate, the “hardship grant” language is included in SB 2, the bill that also creates a voucher for special education students. Otherwise, the Senate is not considering any stand-alone bills to extend ASATR funding past its expiration date.

Vouchers for Special Education Students

As part of the special session call, the Governor asked the legislature to debate [voucher for special education students](#). These programs, which would provide state funding for private school tuition, were a contentious issue between the House and Senate during the regular session. Neither side has changed its position during the special session.

The Senate proposal, [SB 2](#), would give insurance companies a tax credit for making donations to an entity capable of granting scholarships to special education students for attendance at private schools. The bill also includes “hardship grants” for school districts losing ASATR funds, and additional funding for charters schools.

The House is firmly opposed to vouchers in any form due to lack of accountability and barriers to access. CPPP supports the House leadership in their commitment to finding solutions that meet the needs of all 5.2 million Texas school children. [We believe that Texas needs real school finance remodel, not vouchers](#).

As an alternative to vouchers for students in special education, the House introduced a plan under HB 320 to create enhanced services for special needs students in an afterschool setting. After the Senate passed SB 2, the House Public Education Committee substituted the bill language with HB 320, and moved it to the full House. Senate Bill 2 must now pass the full House before negotiations can start with the Senate.

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

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