April 14, 2015

House Public Education Committee
Written Testimony for CSHB 1759 – Position: Against

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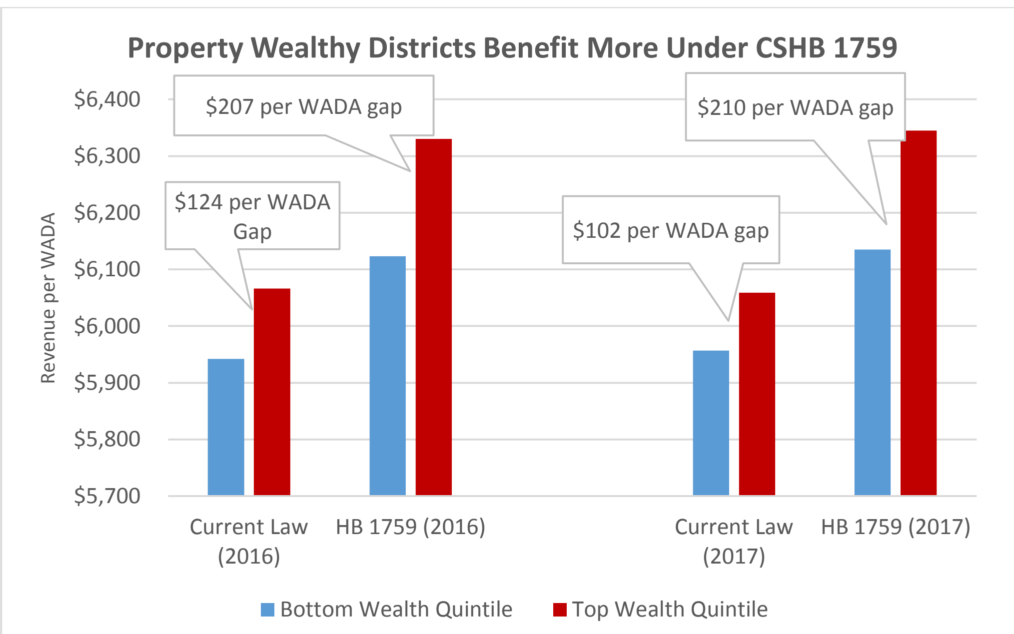
The Center for Public Policy Priorities is an independent public policy organization that uses data and analysis to advocate for solutions that enable Texans of all background to reach their full-potential.

We applaud Chairman Jimmie Don Aycock for making a serious effort to address school finance this session. However, we cannot support CSHB 1759 because it increases inequity among the highest and lowest wealth districts, it does not address funding for economically disadvantaged and English language learners—the primary concern of the court, and it moves to remove elements of the formula that recognize cost differentials between districts, among other concerns.

I. Concern: CSHB 1759 increases the funding gap between the highest and lowest wealth quintiles. Under CSHB 1759 the funding gap per WADA (Weighted Average Daily Attendance) between the top wealth quintile (the 20 percent of districts with wealth of more than $449,069 per WADA) and the bottom wealth quintile (the 20 percent of districts with wealth under $145,054 per WADA) will become greater than anticipated under current law.



Under current law, there would be a funding gap between the highest and lowest wealth districts of $124 per WADA in 2016 and $102 per WADA in 2017. Under CSHB 1759 that gap would increase to $207 per WADA in 2016 and $210 per WADA in 2017.

The top wealth quintile districts will receive on average an additional $264 per WADA in 2016 (a 4.35% increase), compared to a $181 per WADA increase (or 3.05%) for the bottom wealth quintile. In 2017, the top wealth quintile will receive $286 more per WADA (4.72% increase), while the bottom wealth quintile will only see an increase of $178 per WADA (2.99% increase).

Recommendation: Subject Golden Pennies to recapture, eliminate all hold-harmless, and make other formula adjustments as reduce the funding gap between high- and low-wealth districts.

II. **Concern: CSHB 1759 does not increase the floor level of the Basic Allotment in statute.**
The summary information in Model 68771 produced by the LBB for CSHB 1759 is based on an assumption that the Basic Allotment will be increased to $5,888 from $5,040. The theory is that the Basic Allotment increase will be, in part, funded by the elimination of the Cost of Education Index and High School Allotment, and other changes made in CSHB 1759. However, CSHB 1759 does not make any changes to the Basic Allotment.

CSHB 1759 repeals several aspects of the education code without guaranteeing that the funds associated with those elements will actually be rolled into the Basic Allotment. With no legislative increase to the floor level of the Basic Allotment in statute, school districts must take a leap of faith that the funding previously tied to the Cost of Education Index and High School Allotment will be rolled into the Basic Allotment not only this biennium but in future years as well.

Recommendation: Set the Basic Allotment at $5,888 in statute.

III. **Concern: CSHB 1759 eliminates the Cost of Education Index (CEI).**
The CEI was created as an acknowledgement that districts across our large and varied state have different costs due to cost-of-living for teachers and the percentage of economically disadvantaged children in the district. The CEI has not been updated since 1991.

Half of the amount a district receives through the CEI is used to calculate WADA. Elimination of the CEI will reduce districts' WADA count, which in turn reduces the amount of revenue generated through Tier II (the enrichment Tier of the school finance formula). Unfortunately, Model 68771 provided by LBB does not show the impact on WADA count under CSHB 1759.

Recommendation: Update, instead of eliminate, the Cost of Education Index. CSHB 1759 should also be used to require a study of all the weights, allotments, and adjustments within the school finance formula.

IV. **Concern: CSHB 1759 does not address the inequities created by un-recaptured Golden Pennies.**
Allowing Golden Pennies, the first 6 of the 17 Tier II enrichment pennies, to not be subject to recapture is a large source of inequity within the current system. Super wealthy districts, those with a wealth per WADA above Austin ISD, are able to generate and keep excessive enrichment dollars far beyond what the average districts is able to generate. Subjecting these pennies to

recapture would improve equity in the system by eliminating excessive enrichment dollars for super-wealthy districts. Austin ISD's Golden Pennies would not be subject to recapture since the yield for the Golden Pennies is tied to Austin ISD.

Recommendation: Subject Golden Pennies, above the Austin ISD yield, to recapture.

V. Concern: CSHB 1759 does not address the low yield on Copper Pennies.

The value of Copper Pennies – the last 11 of the 17 Tier II enrichment pennies, at $31.95 per penny per WADA – has not been increased since 2006. Since these pennies carry little value, (compared to Tier I funding and Golden Pennies) and are subject to recapture, typically only property-poor districts tend to access them. Increasing the guaranteed wealth level (which sets the yield) for Copper Pennies while compressing the property tax rate is an efficient way to provide a tax reduction to property owners while also increasing the capacity of the school finance system.

Recommendation: Set the guaranteed wealth level of the Copper Pennies to the same level as Tier I—districts that are not in recapture in Tier I should not be in recapture at Tier II.

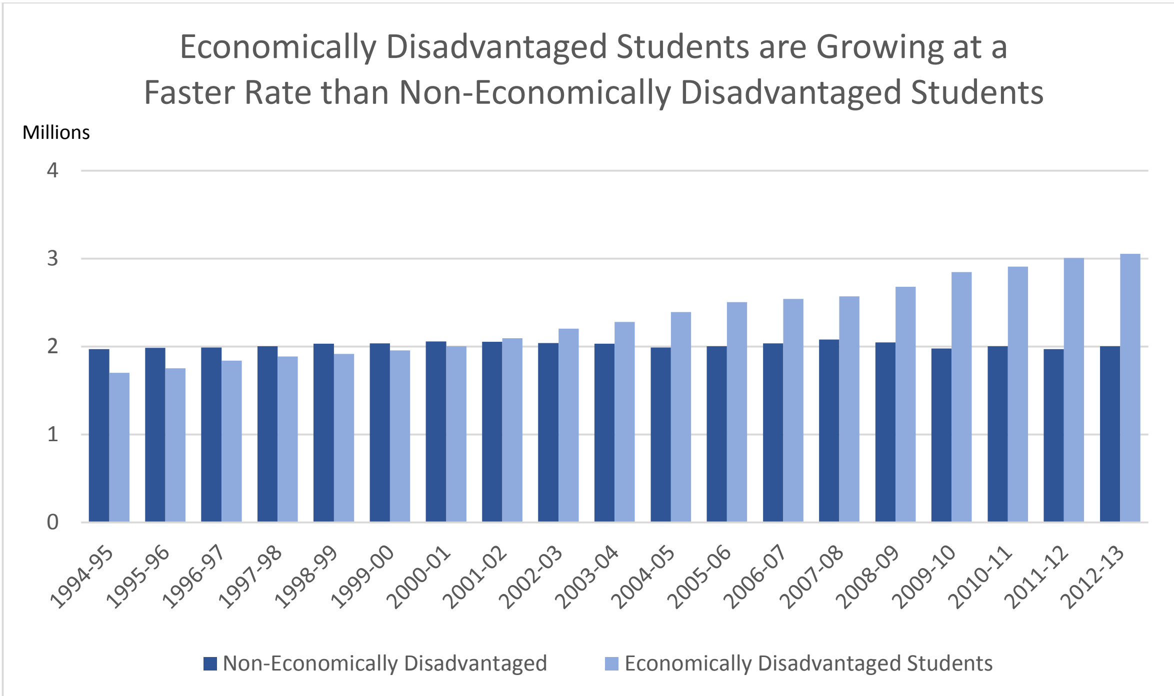
VI. Concern: CSHB 1759 creates another hold-harmless provision that reduces equity and efficiency in the system.

While eliminating an old hold-harmless from 1992-93 and reducing the hold-harmless created in 2006, CSHB 1759 contains stop-loss transition funding, a new hold-harmless, to ensure that no district will lose funding. This stop-loss transition funding will cost over $76 million in 2016 and $81 million in 2017. Though no one wants to see a decrease in funding for their district, the school finance system as a whole will never be efficient and equitable until all hold-harmless provisions are removed and everyone is participating in the same system.

Recommendation: Eliminate all hold-harmless provisions so that all districts are equal participants in the same school finance system.

VII. Concern: CSHB 1759 does not address one of the main concerns of the court – making suitable provisions for economically disadvantaged and English Language Learner students.

The court agreed with plaintiff groups that the arbitrary design and insufficient weights for economically disadvantaged and English Language Learner students hinder districts' ability to achieve a general diffusion of knowledge for these populations. Currently, 60 percent of Texas school children are economically disadvantaged. In the past ten years the number of economically disadvantaged students has grown at twice the rate of overall student growth. The number of students with limited English proficiency is also growing—currently at 17 percent, the number of English Language Learner students has grown by 37 percent over the last ten years.



Texas cannot ignore the fact that the student population is changing and becoming increasingly more expensive to educate. To improve the school finance system it is vital that funding for economically disadvantaged and English language learners is addressed.

Recommendation: Increase the Compensatory Education Weight and the Bilingual Education Weight, or at minimum conduct a study to determine what the appropriate weights should be.

Conclusion: The Center for Public Policy Priorities is eager to work with Chairman Aycock and the House Committee on Public Education to address these concerns. We appreciate the hard work that went into drafting this legislation and realize that CSHB 1759 is a first the step to making meaning reforms to the school finance system. However, this bill, in its current form, lacks an explicit promise that there will be any future reviews and does not meet its stated legislative intent to increase equity or address the concerns raised in the recent court ruling.