

School Finance at the Texas Supreme Court: Adequacy, Meaningful Discretion, and Equity by the Numbers

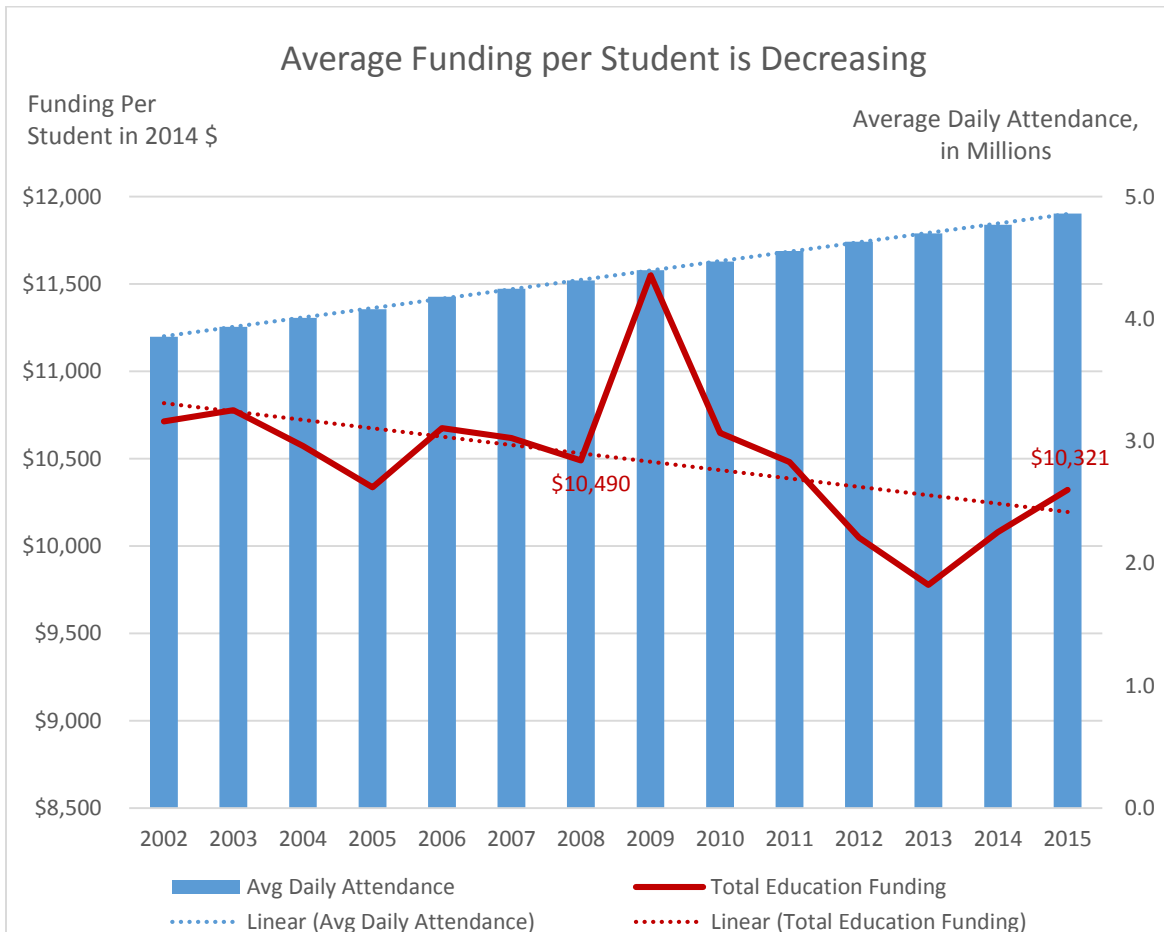
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Texas keeps falling behind in education, and if we want to remain competitive with not only other states, but globally, our education system needs to catch up. In 2014, District Court Judge John Dietz found the Texas school finance system to be unconstitutional because it is not responsive to increasing standards, population growth in the state, or the educational needs of our students. Now the State Supreme Court is taking up the case.

There are three key areas where the Texas school finance system is failing to provide all students with access to the quality education they deserve, and which will prepare them for college and career: **adequacy, meaningful discretion and equity.**

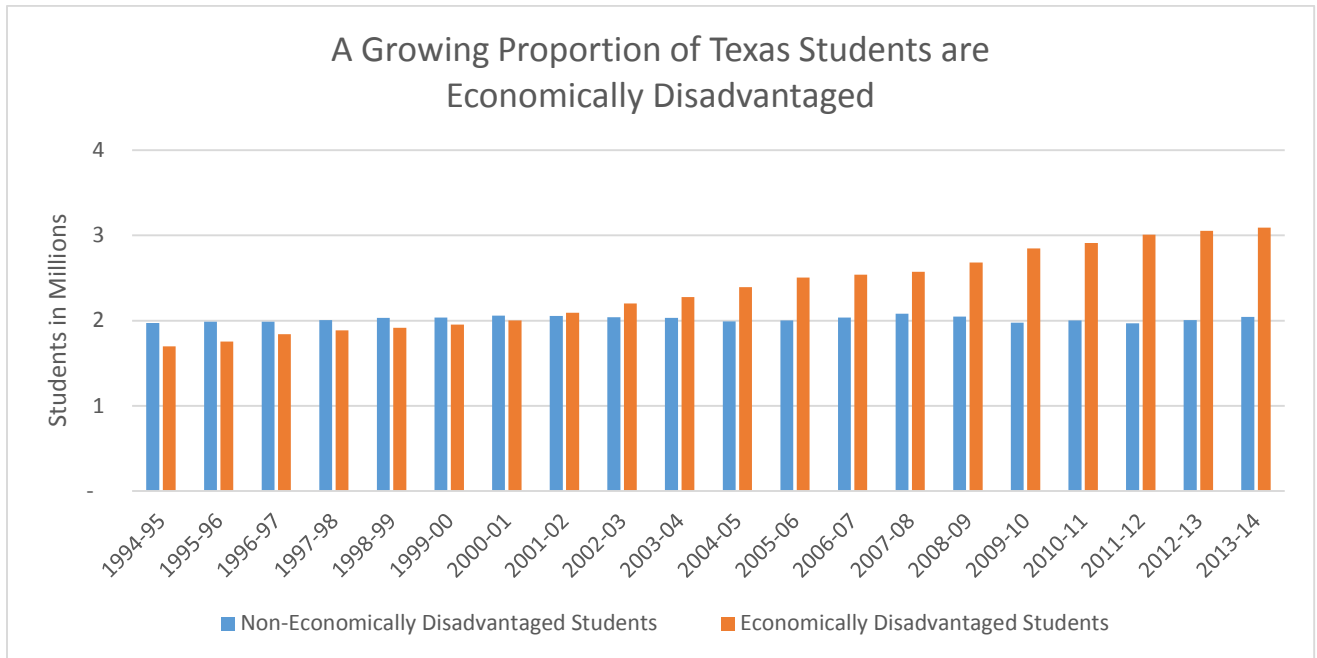
1. Adequacy

Adequacy is the level of resources needed to meet the educational standards currently in place, which is unknown because the Legislature has never commissioned a study to answer that question. However, we do know that statewide our school population is growing and our standards are increasing, yet our average funding per student is decreasing.



Source: CPPP analysis of TEA and LBB data – Includes federal, local, and state revenue. Funding adjusted to 2014 dollars. The funding spike in 2009 is due to federal Recovery Act funds.

We also know that our student population is increasingly economically disadvantaged. Countless studies have shown that poverty is a barrier to academic success. Though not every economically disadvantaged student struggles academically, socio-economic status is a common indicator of student need.



Source: TEA Snapshot Data school years 1994-95 to 2013-14.

2. Meaningful Discretion

Meaningful discretion is the ability of a school board to set tax rates at or above state requirements. In other words, it's the ability of a local school board to raise more funds locally if it decides that it needs additional funding for schools. Our state school finance system caps the tax rates for local property tax collection at \$1.17 per \$100 of property value, limiting what school boards can raise. Districts can only raise their rates to \$1.04 before being required to hold a tax election.

Many districts have reached these caps yet still struggle to provide a basic level of education and have no options for raising additional funds.

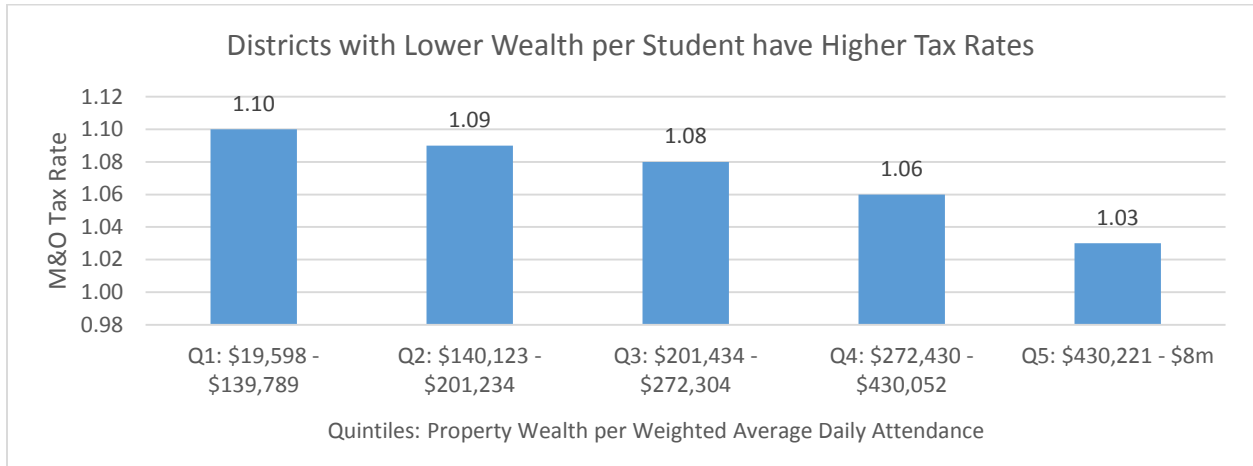
- 91 percent of districts are at or above a tax rate of \$1.04, meaning they can only increase the tax rate through an election.
- Of those districts, 31 percent tax at \$1.17, meaning they are unable to increase the tax rate at all.
- The average wealth per WADA of districts taxing at \$1.04 or less is \$435,000
- The average wealth per WADA of districts taxing at \$1.17 is \$197,000

What is WADA?

Districts receive funding based on Weighted Average Daily Attendance, or WADA. The school finance system provides additional funding for select special populations by giving them more weight. The added weights are then averaged out across the student body to get a weighted student count called WADA.

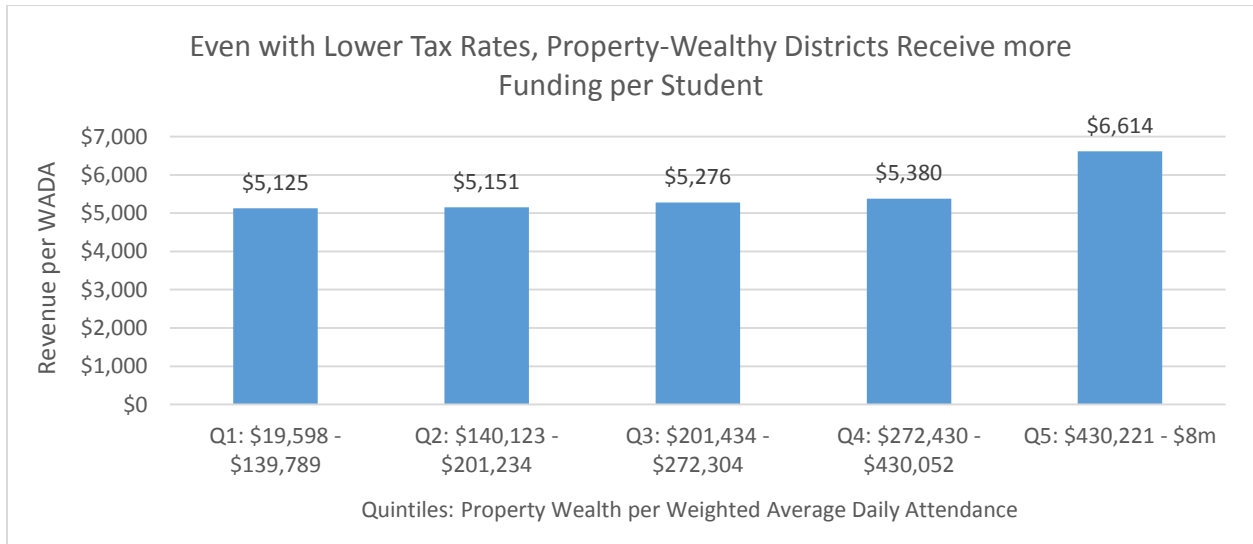
3. Equity

Equity in school finance means that each district should be able to generate similar tax revenue from a similar tax rate. Every student in Texas is guaranteed equal access to public education, but discrepancies in local property tax revenue between property-poor and property-wealthy districts mean the state is not doing a good enough job of balancing out the differences. As a result, property-wealthy districts tend to receive more funding than property-poor districts—even though property-poor districts tend to have greater need and tax rates.



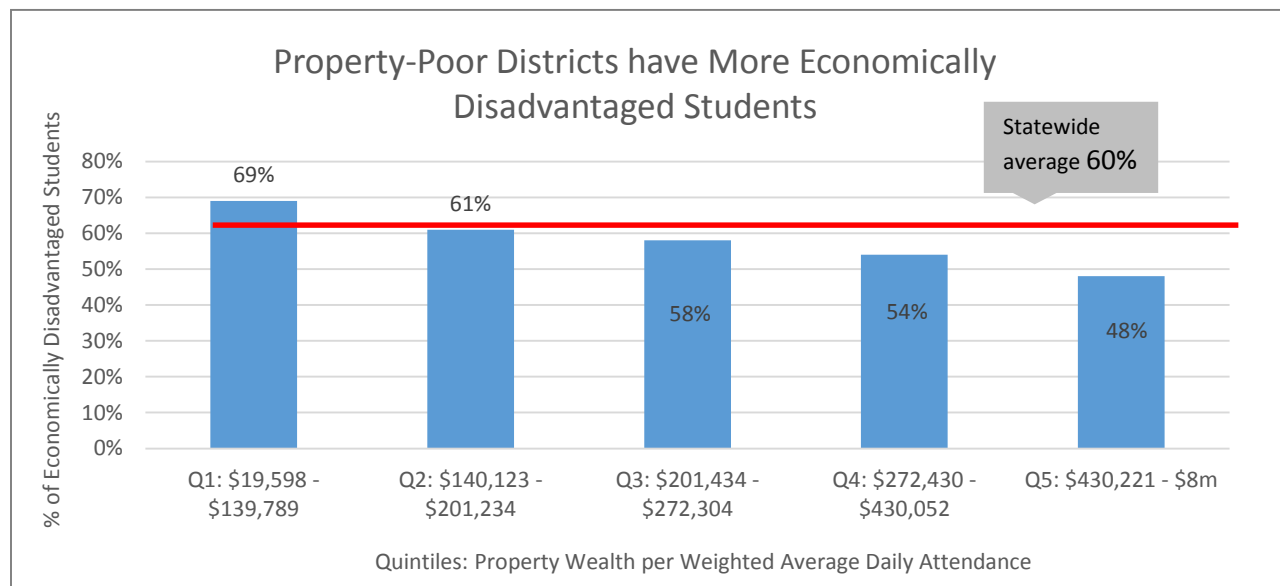
Source: TEA - Wealth per Weighted Daily Average Attendance School Year 2013 – 2014 and Final 2013 Adopted Tax Rates used for school year 2013-14.

The wealthiest 20 percent of districts (called "Q5" for Quintile 5 in the charts) have an average tax rate of just \$1.03, which generates an average of \$6,614 in per-student funding.



Source: TEA – Revenue per Weighted Average Daily Attendance at the Compressed Tax Rate School Year 2013 – 2014.

In contrast, the bottom 20 percent of districts (Q1 in the charts) have elected to tax themselves at a higher Maintenance and Operations (M&O) rate (set by the local school board and approved by voters for rates above \$1.04), averaging \$1.10 per \$100 of property value. Yet the average per student funding for the poorest districts is nearly \$1,500 less. That’s an average of about \$44,000 per classroom.



Source: TEA – Snapshot Data, School Year 2013 – 2014.

Additional resources translate into lower class sizes and more individualized attention for students. Considering that the 20 percent of districts with the lowest property wealth also have a greater percentage of economically disadvantaged students, the way we allocate resources can make a huge impact.

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

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