

February 20, 2017

**Written Testimony – House Appropriations Committee Article III Subcommittee (TEA)**

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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 all Texans to reach their full potential. We envision a Texas where everyone is healthy, well-educated, and financially secure. To reach this vision, we must ensure that there is sufficient financial support for every child to get a quality education, no matter where they live or what their background.

Unfortunately, our school finance system is losing ground. To keep pace with inflation the basic allotment, or the basic per student funding level in the school finance system, would require an increase from the current \$5,140 level to \$5,263 in 2018 and \$5,390 in 2019. We estimate the cost of such an investment to be \$2.4 billion for the biennium.

The House budget sets aside \$1.5 billion for public education – about 60 percent of the amount needed for inflation – contingent on a school finance reform that improves equity, reduces recapture, and increases the state’s share of school funding. Increasing the basic allotment achieves all three of these goals. It also positively impacts every school across the state while avoiding incremental change that harms equity and benefits some districts over others.

One such incremental change happened recently when the Texas Education Agency ruled the state would begin replacing half of the local property tax revenue lost to districts that pay recapture and have a Local Optional Homestead Exemption. The new rule will disproportionately benefit a small number of relatively high-property-wealth school districts. Together they will receive an additional \$100 million over the next biennium, an amount that will continue to grow as property values increase and more districts take advantage of the change.

Decades of underfunding coupled with an over reliance on local property tax revenue has led to districts with high needs contributing to the funding of other districts through the recapture system. As a result, there is growing pressure to reduce recapture, even if it means reversing the equity gains made over the last 20 years. Recapture is essential for reducing the funding gaps between districts, however the overall amount of funding it adds to the system is relatively small. By 2019, recapture collections will represent approximately six percent of total state and local funding and come from districts that enroll just 15 percent of total students.

Increasing the basic allotment is the right immediate step this legislative session. However, it does not address the fact that our school finance system is outdated, overly complex, and strained with inefficiencies. But overhauling the school finance system is going to take leadership from the House, Senate, and the Governor’s Office. The process will also require participation from the business community, the philanthropic community, and the education leaders working on the ground. Right now, all of these entities have been discussing school finance separately. Coming together, building consensus and making the hard decisions will take time. Luckily the interim allows for deep study. What is needed now is an increase in the basic allotment to improve equity, reduce recapture, and increase the state’s share of school funding.

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