



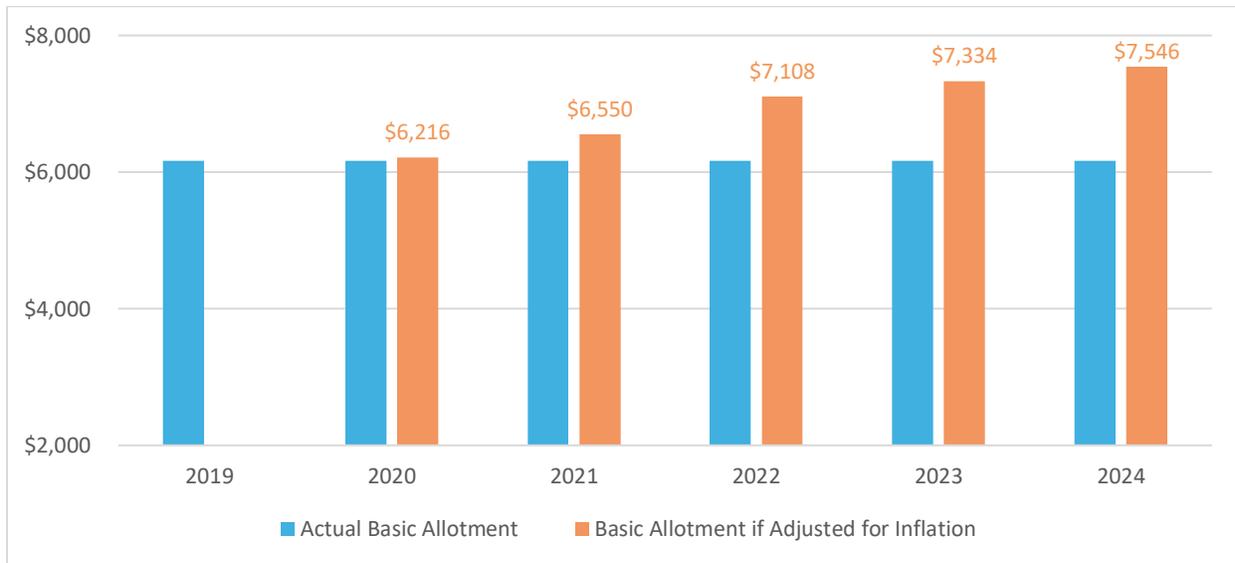
Testimony to the Senate K-16 Committee: CSHB 2
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May 15, 2025

Every Texan is an independent public policy organization that uses data and analysis to advocate for solutions that enable Texans of all backgrounds to reach their full potential. We believe all Texans should have access to high-quality education that aids in their social and economic well-being.

We are grateful that the CSHB 2 preserves the long overdue special education reforms. Though CSHB 2 strives to improve teacher pay, the approach it takes is inequitable and does not recognize the important contributions made by non-teacher staff.

The most equitable way to improve teacher salaries is to increase the basic allotment. When funding flows through the basic allotment, that funding is multiplied by a series of weights (such as compensatory education, special education, and bilingual education). This ensures that districts with a greater number of students in special populations receive the resources those students need to be successful.

Base Level Funding Has Not Changed in Five Years



Source: Bureau of Labor Statistics, CPI Inflation Calculator using July estimates for 2020 through 2024.

The Legislature last increased the basic allotment in 2019. Over the past several years, Texas has experienced record levels of inflation. The cost of housing, transportation, groceries, and healthcare have increased. Texas schools are not able to address these cost-of-living increases because the Legislature has kept school funding stagnant. If the basic allotment was adjusted for inflation, it would be \$7,546 today.

HB 2 as passed by the full House, included provisions to increase the basic allotment by moving value growth from the golden pennies to the basic allotment. It is assumed the same language is included the Senate CSHB 2 based on materials released by the Chairman. This change is not the same as adjusting the basic allotment for inflation and will increase funding inequities between property wealthy and property poor districts.

Golden pennies, the first 8 cents of the Teir II M&O tax rate, are called “golden” because the state guarantees schools districts that choose to levy these pennies a higher yield than the “copper pennies” (the last 9 cents of the Teir II M&O tax rate). Unlike copper pennies, golden pennies are not subject to recapture. Districts with very high property wealth can keep all revenue generated above the golden penny guaranteed yield amount. The lack of recapture on golden pennies is a driver of inequity within the school finance system.

Prior to HB 3 (2019), the golden penny guaranteed yield was tied to the property-wealth level of Austin ISD. That bill decoupled the golden penny from Austin ISD and set the guaranteed yield at 96th percentile of wealth or 160% of the basic allotment (whichever is higher). This change resulted in a cut to the value of the golden penny for those getting the guaranteed yield. Districts with property wealth above the guaranteed yield amount were not impacted. As property values across the state grow, the value of the golden penny increases. However, the value of the golden penny today is far below what it would be if it was still tied to Austin ISD wealth levels.

Changes in Golden Penny Values Over Time



Source: SB 1 2025, Texas Education Agency, Summary of Finance Austin ISD 2025.

HB 2, as passed by the House and assumed in CSHB 2, sets the golden penny guaranteed yield at \$129.52. Going forward statewide property value growth that increases the 96th percentile of wealth will be directed toward increasing the basic allotment instead of the golden penny value.

From an equity standpoint, this change is problematic for several reasons. The funding gap between districts receiving the golden penny guaranteed yield and those with higher property values will grow larger each year. This will push many districts into taxing at higher rates to compete with higher wealth districts. Districts with values above the golden penny guaranteed yield amount will benefit twice under this plan:

1. These districts will see an increase in their basic allotment, and
2. The value of their golden pennies will continue to grow, while other districts will be stuck with the lower guaranteed yield.

The best way to mitigate this growing inequity is to subject golden pennies to recapture. This way every district receives the same level of funding for their additional tax effort. A student's access to resources should not be based on the property wealth of the school district.

Recommendations to Improve CSHB 2:

- *Increase the basic allotment for past inflation and adjust for inflation annually going forward.*
- *Subject golden pennies to recapture.*
- *Implement enrollment-based funding for all students:* Nearly 460,000 students were not funded in the 2023-24 school year due to attendance-based funding. Now that compensatory education and bilingual education funding is based on enrollment it only makes sense to ensure all students in all categories are counted as well.
- *Restore statute that required cost studies and ensure the studies are conducted:* HB 72 (1984) added Section 16.202 to the education code requiring the State Board of Education (SBOE) to appoint an advisory board to assist the SBOE in determining annual average costs. Section 16.203 encouraged the Legislature to consider the advisory committee's recommendations when setting the basic and special allotments. Over time that statute evolved to Section 42.007 and directed the LBB to study and make recommendations on the various funding elements. Unfortunately, those studies were not always conducted. The Legislature repealed this part of statute in HB 3 (2019).