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Texas School Alliance Position Statement on School Finance

The Texas School Alliance (TSA) is composed of 33 of Texas' largest school districts. Together, these districts serve 36 percent of the state's public school students, 42 percent of the state's economically disadvantaged students, and nearly half of the state's ELL students

In all, Texas public schools employ 615,000 staff to educate more than 4.5 million students each year, and the student body is growing by 70,000 to 80,000 per year. School districts range in size from fewer than 20 to more than 200,000 students, and property wealth varies from \$18,000 to \$2.8 million per student. TSA members recognize that creating a school finance system that works across these different contexts is not an easy task.

The hold-harmless based finance system put in place with House Bill 1 was meant to serve as a temporary system to protect districts until lawmakers could construct a more long-term plan. However, unless it is modified this session, by the end of the biennium the bulk of district revenue will be determined based on available revenue from five to six years prior. Hundreds of school districts find themselves trapped by low target funding levels and will be able to do little other than turn to the voters for assistance. Rising levels of inflation and insufficient numbers of highly qualified teachers will make the competition for good teachers all the more fierce. Increasing performance standards will continue to push the cost of a quality education higher. Resources to address these factors must be addressed.

The following recommendations will help Texas schools meet student educational needs in the short term, and put Texas on the road to a high-quality formula structure that provides adequately for all districts, allocates resources efficiently, provides school districts capacity to meet the needs of student in years to come, and provides for meaningful local discretion over school budgets. In addition to the recommendations below, the legislature should establish a mechanism to study the current formula structure and educational requirements in preparation for further school finance reform in 2011.

Provide Improvements to the Foundation School Program Sufficient to Enable Districts to Meet Rising Costs

The following incremental steps would help ensure that districts have access to revenue necessary to meet student needs in the short term.

- Establish a revenue adjustment designed to provide funding sufficient to meet inflationary cost pressures and student enrollment growth. This adjustment could be funded, in part, by distributing revenue from appraisal growth back into the public school system and would ensure that districts had sufficient funds to respond to cost drivers such as increased energy and insurance prices;
- Allow local school boards discretion to meet inflationary costs if the legislature does not appropriate sufficient funds to do so (up to four cents taxing authority per biennium without need of rollback elections);
- Set a floor for target revenue to assist school districts with low target revenue per WADA;
- Ensure that all new mandates of law are fully-funded;
- Improve funding for the transportation allotment;
- Do not allow changes to the payment schedule that would harm local school districts; and
- Provide sufficient funding for free college readiness testing for high school students.

Ensure Adequate Funding for Educational Reforms

Texas is embarking on a new program of requirements for high school students. Recent changes will require students to complete four credits in mathematics and science in order to graduate under the recommended high school program; the high school curriculum is being reviewed and revised to bring standards to a level of college readiness, and students will soon transition to end-of-course assessments. The following recommendations would help ensure that these programs are adequately funded:

- Increase the high school allotment and distribute it on a per Weighted Average Daily Attendance (WADA), rather than per Average Daily Attendance (ADA) basis;
- Improve funding for at risk students and English language learners; and
- Roll fragmented high school-related grant programs into the high school allotment to allow greater flexibility over the use of funds.

Ensure Sufficient Funding for Adequate Employee Pay

Competing for high quality staff is the most significant cost driver that public schools face. The following recommendations would help ensure sufficient resources to adequately staff schools.

- Allow school districts flexibility over funding related to both general and incentive-based salary improvements and combine the multiple and overlapping incentive programs currently in existence;
- Consider salary requirements for all employees;
- Ensure that districts have sufficient funding to account for geographic and cost differences in recruiting and retaining staff by 2011; and
- Repeal the requirement for districts to cover the state share of an employee's retirement cost during the first 90 days of employment.

Facilities and Technology

Texas needs to recommit itself to the infrastructure needs of public schools. Three programs: the state technology allotment, the Instructional Facilities Allotment (IFA), and the Existing Debt Allotment (EDA) provide state support to school districts for facilities and technology upgrades. However, these programs have not received legislative attention in many years and are in need of improvement.

- Increase the yield on IFA and EDA so that more districts benefit from the program and so that districts can meet facility needs at lower tax rates;
- Increase the tax rate limitation in the EDA program so that the state's fastest growing districts can have access to continued state support; and
- Improve the technology allotment so that districts can make use of recent technological innovations and can meet state goals related to online testing.

Implement Technical Changes to the Current Formula Structure

Other funding adjustments, while not providing additional revenue to schools, would result in a simplified formula structure that would be both easier to administer and explain to the public.

- Consolidate all prior law hold-harmless provisions into a single HB 1 hold-harmless;

- Incorporate the first level of Tier II into Tier I and suspend increased special program spending requirements;
- Increase the 88th percentile to at least the 90th percentile to reduce reliance on hold-harmless funding; and
- Modify the current rollback requirements to allow for authorization elections in May or November rather than rollback elections so that districts can engage in effective planning related to the use of funds.

Provide for High Quality Early Childhood Programs

- Establish foundation formula funding for full-day Pre-K for all eligible students outside of the hold harmless provisions. Some studies have shown that every dollar invested in early childhood education in Texas provides a pay-off of \$3.50.
- Provide districts with flexibility regarding programming and implementation. Flexibility is very important in assessing young learners and in providing quality programming that supports the needs of the community. Statewide standards should be established and districts should have latitude over programming to meet those standards. Forcing a screening assessment when a more comprehensive assessment is already in place is unreasonable.
- Allow districts to expand from a half day to a full day on a voluntary basis. The kindergarten expansion model from several years ago was a voluntary expansion from half-day to full-day programs. Studies have shown increased student performance is directly related to engaged learning time.
- Provide necessary facilities assistance to enable those districts that lack additional classroom capacity to deliver expanded prekindergarten services. Facilities funding will be especially important for districts that are growing rapidly and can be provided either through a grant program targeted at prekindergarten or through the expansion of existing facilities programs.

Required Resources

Addressing these concerns will carry an estimated \$9 billion biennial cost above 2008-09 levels, which could be partially financed through revenue from property value growth that the state should reinvest into the system. This estimate includes the cost of inflation and improvements to the equity of the target revenue system (\$3 billion), FSP and facilities funding reform (\$2 billion), and additional funding for academic improvements, including early childhood programs (\$4 billion).