

The Status of School Finance Equity in Texas

IDRA

INTERCULTURAL DEVELOPMENT RESEARCH ASSOCIATION

A 2009 Update

Acknowledgements

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The Status of School Finance Equity in Texas - A 2009 Update

by Albert Cortez, Ph.D.

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Overview

It is not possible to have an excellent education for all students if we don't have educational funding equity. Americans believe that all people, especially all children, are created equal. We also have grown to believe that a child's education – and thus his or her life chances – should not depend on the color of his or her skin or the neighborhood in which he or she happens to live. For over five decades, the state of Texas has failed to make this vision a reality.

This failure has left many schools without the tools they need to be successful. Grounded in school reform research and practice, IDRA's Quality Schools Action Framework – or theory of change – shows how public education can be strengthened for all students. To be effective, schools must have quality teaching, curriculum quality and access, student engagement, and parent and community engagement. Undergirding these elements, effective schools depend on good governance to guide their success and on fair funding to effectively serve all of their students each school day. (Robledo Montecel, 2005)

Further, for schools to provide excellent education, they must be equitable. Public schools are accountable for educating all learners regardless of differing characteristics of those learners. The IDRA South Central Collaborative for Equity uses its Six Goals of Educational Equity to assist school districts in their school reform efforts. One of the

six goals is the goal of equitable resources because it is so closely tied to school outcomes (Scott, 2000).

Equity in school finance means “equal treatment of equals” or ensuring that schools have equitable amounts of money to educate students, including taking into account that students with different needs require different levels of funding to address those needs.

Inequity in public school funding in Texas is due to the state's failure to neutralize great differences in taxable property wealth (and referred to as “district wealth”), where the poorest school districts have about \$10,000 of taxable property per student, while the wealthiest have access to over a million dollars per student. In the 1970s, the issue of funding equity was given token attention, with poor school districts provided small supplemental funding referred to as “state equalization aid.” But the state failed to create funding mechanisms that truly accounted for great property wealth differences.

Until the mid-1990s, Texas state efforts to improve funding equity continued to be minimal and piecemeal, providing meager “equalization aid” on top of a fundamentally inequitable funding plan. After the historic *Edgewood* court decisions by the state Supreme Court, Texas worked to create a funding system that ensured more equitable funding for all of its students. With adoption of Senate Bill 7 in 1993, the state finally created



“Children are ready to learn. We need to make sure that our schools are ready to receive them and educate them well.”

– Dr. María “Cuca” Robledo Montecel,
IDRA President & CEO

a system that, though not perfect, provided some of the greatest levels of funding equity in Texas’ 150-year history.

A key feature of the new plan was the elimination of unequalized local enrichment. Local enrichment refers to extra money raised by school districts beyond the minimum funding provided by the state system. Unequalized local enrichment had been considered to be a monumental flaw of the Texas system of school finance.

A second major reform addressed was the continued flow of state funding to school districts whose state aid should have been reduced as a result in changes in state funding formulae. Known as “hold harmless” provisions, these features were first justified as a means to “ease” the transition for higher wealth school districts into the more equitable funding plan and were to be phased out over three years in the reform plan adopted in 1993. (But the phase-out did not occur.)

Still, as a result of the reforms, disparities in school revenues had been reduced from thousands of dollars per student to less than \$700, with even greater equity to be phased in over time. School districts generated similar return for similar tax effort as required in the *Edgewood I* mandate, and the ability of the state’s wealthiest school districts to outspend their neighbors was further neutralized by a new recapture mechanism that required them to share revenue.

Later, in 2006, changes were made to the school funding plan that eroded equity among Texas schools. The new plan included the re-introduction of unequalized local enrichment into the system. Disparities in per student funding increased from \$700 to \$1,500 per student. And this funding inequity continues to grow.

As the inequity has increased, it has given a small group of wealthy school districts an expanding unfair advantage, allowing these school districts to raid their neighboring school districts to acquire the best teachers and principals, the best coaches and fine arts staff and to build nicer schools and pay lower taxes than most other school districts in the state.

In Texas, all students are equal, but once again some are more equal than others. This policy update provides a description of the key elements of the existing Texas school funding system, identifies features that contribute to equity and those that maintain and expand inequity, and includes recommended reforms that would reinstate critical funding equity.

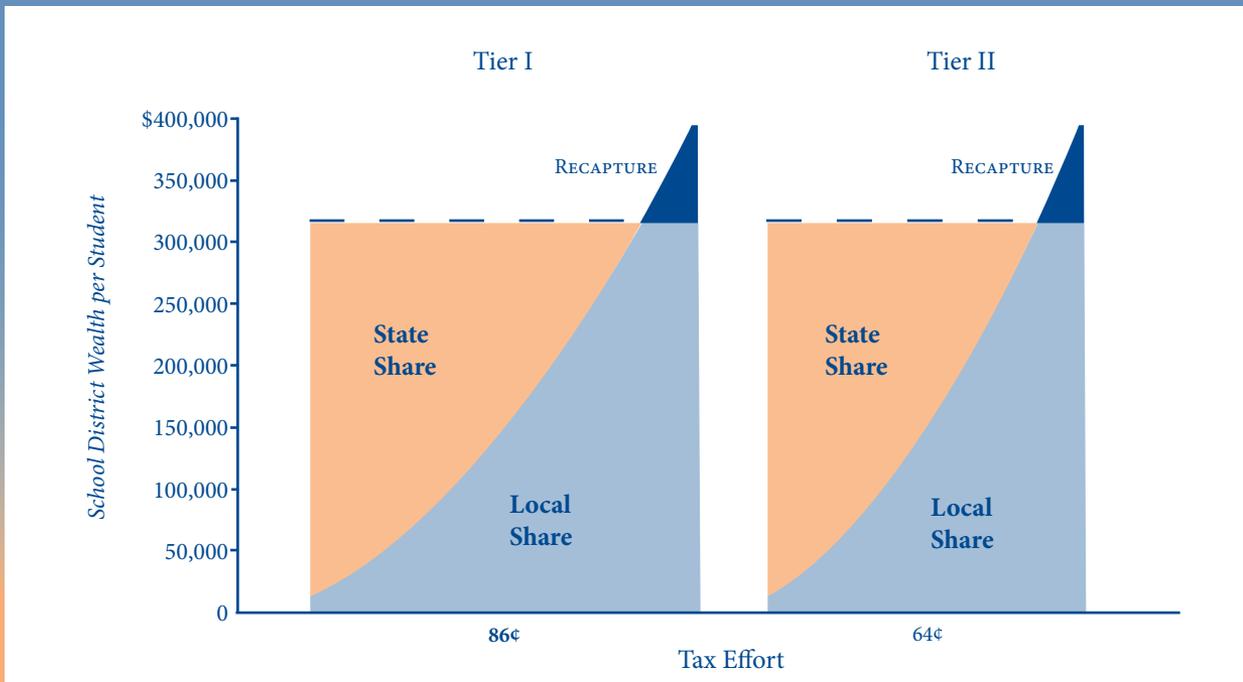
Achieving Equity in the 1993 School Funding Plan

As noted earlier, a key feature in the 1993 Texas funding reforms was the adoption of new strategies that accounted for the great differences in property wealth among Texas public school districts. One important piece of those

reforms included substantial improvements in assuring that school districts exerting similar tax effort generated the same amount of revenue as every other school district in Texas. This change was mandated by the language in the *Edgewood I* court decision that required any new state

funding plan to ensure that all school districts have access to similar revenue for similar tax efforts. To achieve this, all school districts were guaranteed to receive a specified amount of revenue for every penny of local tax effort. If the school district fell short of generating the amount of

The Texas Funding System from 1993 to 2005 Had No Unequalized Enrichment



The improvement in Texas student achievement on national tests in 2008 was fueled in part by the 12-year span of improved and equitable funding that was provided to all Texas schools.

funding guaranteed, the state provided the difference. If a school district's tax base generated more money than the state guarantee amount, it returned the excess money to the state in the form of recapture revenue. The graphic on the left depicts the system as it operated between 1993 and 2005.

Tier I is considered the basic, or “foundation,” portion of the system and was intended to ensure that all Texas students have access to at least a “minimum” education. All school districts were required to have a local tax rate of 86¢ to generate the local share of this basic portion of the funding. The state provided additional funding to bring all school districts up to the required minimum levels of funding.

Local school districts also were allowed to supplement this basic program by raising additional taxes of up to 64¢ – with the state guaranteeing that all school districts would be provided a specified amount for every penny of supplemental tax effort. No school district could exert a total tax effort over \$1.50. Thus, the system was very equitable and provided all school districts with similar local effort, similar tax revenue per student.

Though structurally sound from an equity perspective, the overall level of funding – even if equitable – was insufficient.

The 2004 Push for Additional Funding

Though the amount of funding provided for the basic program and the amount of money guaranteed for each cent of supplemental tax effort was increased between 1993 and 2005, the public school system had continuously been under-funded. This led a group of school districts to challenge the adequacy of funding provided to meet state-mandated education requirements. A second group of plaintiffs contended that all school districts had to tax at the maximum rate to provide their students the minimum education required by the state. Therefore, the existing school funding system's tax provisions constituted a statewide property tax that violated the Texas Constitution.

Some experts of the Texas school funding system – including IDRA – had some reservations about challenging the “adequacy” of the system, recognizing that in the absence of a state standard for this concept, the door was opened for the court to set a low standard (which it did). They also had serious reservations about challenging the tax provisions of the existing system because they recognized that a ruling declaring the funding plan unconstitutional also would open the door for “reforms” that could make the system less equitable than the one that was in place. Those experts' worst fears were realized when the Texas Supreme Court issued its ruling in the *West Orange-Cove vs. Neeley* case.

The Issue

Erosion of Equity in the Current Texas School Funding Plan

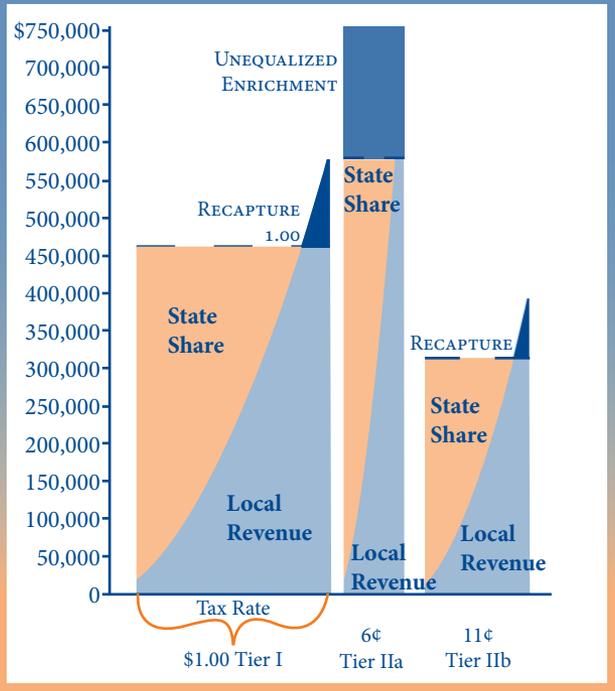
In the 2005 *West Orange-Cove* ruling, the Texas Supreme Court, dominated by judicial conservatives, took the stance that the existing level of funding provided by the state was “adequate.” The ruling also proposed that the state had placed an inordinate percentage of funding for Texas public education on the backs of local school districts, which required all districts to set local tax rates at the maximum level and resulted in a state-mandated property tax that violated the Texas Constitution’s prohibition against such taxes. Finally in its most destructive facet, the *West Orange-Cove* decision re-wrote the equity standards that had been established in *Edgewood I* by proposing that as long as the state provided equitable access to a minimum education program for all school districts, it could allow some school districts to raise some unequalized enrichment above that level.

Under pressure from this new court mandate to modify the finance system in 2006, the Texas legislature adopted a new school finance plan. This latest approach to public school funding went far beyond the court requirements that the state lessen its dependence on local tax revenue to support public education and provide some discretion to local school districts to raise supplemental revenue. Bowing to pressure from property wealthy school districts to allow a return to funding inequity, the legislature re-introduced the concept of unequalized enrichment. This expanded funding disparities between wealthy and poor school districts.

The figure presented here shows the funding plan that was adopted in 2006. There are now three distinct

components. **Tier I** is similar to the old plan and provides enough funding for school districts to provide a minimum education for all students. If school districts generate more funding per student than what is guaranteed by the state, they must submit the extra revenue to the state in the form of recapture. The revised plan also includes a second tier (**Tier Iib**) that functions much like the old system, allowing districts to supplement the minimum program

The Texas Funding System from 2005 to Now is More Inequitable





Ultimately, the students in the great majority of Texas schools will suffer as a result of a system that is grossly under-funded and produces schools where the quality of education that a child receives – even more than it has been over the last few years – is based on the wealth of the neighborhood in which he or she happens to live.



by rising up to an additional 11¢ in taxes. In that portion of the funding plan all school districts are guaranteed to receive similar return for each penny of tax effort. If a wealthy school district generates more than the amount guaranteed by the state, it must send the excess revenue to the state as recapture money.

The major change made to the Texas funding system in the 2006 reforms was the creation of new tier (**Tier IIa**) of funding that re-introduced unequalized enrichment into the system. School districts may raise an extra 6¢ of unequalized enrichment tax revenue. School districts are guaranteed to receive a certain amount of funding for every penny of tax effort, but wealthy school districts that generate more money than the guaranteed amount, get to keep that extra money, and this extra money is not subject to recapture requirements.

How Much Equity Has Been Lost?

As a result of these changes and the continuation of hold harmless funding that was supposed to have been phased out years ago, the Texas system of school funding is now much more unequal than it was in the years between 1993 and 2005. A recent study by the Texas Legislative Budget Board, a state oversight agency, confirmed that the amount of inequity in the system has grown since the adoption of the 2006 changes (2009).

Similar research conducted by the Equity Center, an organization representing low- and average-wealth school districts, confirms the fact that the system has become more inequitable. According to the Equity Center in 2006,

at an identical tax rate of \$1.00, the state's poorest school districts generate a total of \$4,708 per student (WADA*), while the wealthiest school districts generate \$6,235, a net disparity of \$1,527 at the same \$1.00 tax rate.

According to IDRA estimates developed in 2008, in addition to the disparities described above (up to \$1.00), for the additional 17¢ enrichment tax allowed by state law, the 100 poorest school districts can generate an average of \$633 enrichment (per WADA), while the state's wealthiest school districts can generate an average of \$1,295 enrichment (per WADA), an additional disparity of \$662. Adding the two subtotals produces an average disparity of \$2,189 per student.

Multiplying that average \$2,189 disparity for a class of 25 students reveals a gap per classroom of \$54,725, and for a school of 500 students a gap of \$1,094,500. This is a major expansion in the disparities in the system prior to 2006. Despite these disparities in enrichment, the state did not increase the equalization aid in either 2007 or 2009.

Great Differences Disproportionately Impact Minority Students

Though almost all school districts in Texas enroll some special student populations, Hispanic and low-income students are often concentrated in low-wealth school districts. IDRA analyses of student populations in the state's wealthiest and poorest school districts exposed some disturbing facts that the state's wealthiest school districts are predominately White, while the poorest are overwhelmingly Hispanic.

* WADA = Weighted Average Daily Attendance



In the words of Martin Luther King, “We are all caught up in an inescapable network of mutuality.” I believe that long-term progress in education requires acknowledging and building on our inescapable network of mutuality.

– Dr. María “Cuca” Robledo Montecel,
IDRA President & CEO



Texas’ Wealthiest & Poorest School Districts Have Vastly Different Racial/Ethnic Concentrations

| | Wealthiest 50 School Districts | Poorest 50 School Districts |
|--------------------------|--------------------------------|-----------------------------|
| Percent White | 71% | 5% |
| Percent African American | 3% | 1% |
| Percent Hispanic | 29% | 94% |

Data Source: Texas Education Agency, 2006

Special Population Programs Affected

Inequitable state funding can compound the challenge of providing appropriate services for students with special needs. Lack of equitable and sufficient funding for special programs has been a continuing problem in Texas for decades. In addition to failing to maintain or improve equity in overall funding, recent legislative efforts have failed to address under-funding of programs for English language learners and low-income, special education, and gifted and talented students. Though additional costs have been acknowledged (by providing some extra state funding for students), the actual amount of money provided has never been based on what it actually costs to deliver specialized services to these student sub-groups. For example, research estimates that bilingual education should have a weight of 0.40, but in Texas, it has been kept at 0.10 (Robledo Montecel and Cortez, 2008).

Compounding this underfunding is the fact that the formulae (weights) used to fund special population programs in Texas have remained unchanged since the

creation of the system more than two decades ago. Lack of sufficient state funding for programs serving these students thus places school districts in a position of having to either provide a less than adequate support program or cover the gap between state funding and actual costs solely from local tax revenue.

Texas Still Does not Provide for Equal School Facilities

In addition to inequity in educational programs, the state’s failure to provide more than token funding for school facilities has exacerbated the inequities in school funding. While the increased level of equity in funding had allowed schools to move from bare bones to more equitable instructional programs, these programs are still operated in very inequitable facilities. Currently, many local school districts are forced to pay for school facilities primarily from local tax revenues. Since these local school district property wealth bases vary extensively, some can raise less than \$3 per penny of local taxation, while others can raise over \$100 with that same one penny rate to support construction of new schools.

The state has provided token relief by distributing some facilities funding via the Existing Debt Allotment and Instructional Facilities Allotment. Unfortunately, these programs have never covered more than a small fraction of school districts that are eligible. Some complain about the high cost but ignore the fact that costs can be spread over 10, 20 and 30 years. Facilities funding, therefore, remains one of the system’s greatest areas of inequity.

Adequacy vs. Excellence

The 2005 legal challenge to the Texas funding system included a complaint that the Texas school funding plan did not give schools enough money to provide all students even an adequate education. This challenge was modeled after court cases in other states charging that the state funding plans did not cover actual education costs.

In 2005, the Texas Supreme Court ruled in *West Orange-Cove vs. Neeley* that the state funding was adequate because the overwhelming majority of Texas schools met state “accreditation” standards. The fact that state accreditation standards are so low that a school district where 55 percent of students fail state assessments is considered to be performing at “acceptable” levels was not noted or even acknowledged by the court.

It is surprising that more Texas leaders have not questioned the court’s “wisdom” in approving a funding system that provides a minimum, rather than an excellent, education for all of its students.

In both the 2007 and 2009 regular legislative sessions, allocations by the state of Texas did nothing to improve the inequities that it had created in 2006. The last increases in state funding used approaches that did not adjust state aid on the basis of district wealth but provided the same amount of revenue per student even as some school districts would spend hundreds, and in some cases thousands, of dollars more than others. In 2007, the legislature provided across-the-board funding for increasing teacher salaries and \$175 per high school

student to address dropout rates and improve preparation for college. Both allocations maintained the level of inequity re-introduced in the 2006 reforms. In 2009, all school districts were guaranteed an amount of \$120 per student, less than what was needed to even deal with inflation.

All children deserve the best possible education. Adequacy for some and excellence for others is, by its very nature, discriminatory.



There are about 77 million people who are hoping to retire and are depending on workers to “fuel our economy and future growth, and the next generation of workers is not prepared for the 21st-Century global economy.”

- Marguerite Kondracke,
president, America’s Promise



Conclusion

If Texas students are to be provided equitable educational opportunities, we must reinstate features in the funding system that provide for greater equity and ensure that all school districts are vested in that system. The state's own studies note that the gap in revenues available for wealthy school districts has grown as a result of the "reforms" adopted in recent years (Texas Legislative Budget Board, 2009). We must invest in providing the funding needed to ensure that an excellent education is available to all students, rather than just to a small percentage of our children. To do this, the state of Texas must eliminate unequalized enrichment, abandon the current approach that bases a school district's funding on hold harmless guarantees, ensure that any new state revenue for any purpose is subjected to the state-local sharing and recapture mechanisms that will provide fair funding for all Texas students, and provide sufficient funding to ensure all students have access to an equitable facilities.

Clearly, improvement of education for all students is an economic imperative that requires immediate action, but the window of opportunity is rapidly closing. To impact projections for the year 2040, changes in the Texas education funding system must be made today. Continuing state ineptitude or recalcitrance will not make the problem go away. Just as neglecting to seed the ground will ensure an empty harvest, neglecting to provide an equitable and excellent education to all of the children in the state will ensure an empty future for us all.

Americans agree that a child's future should not depend on his or her heritage, parents' income, or neighborhood. Our sense of justice insists that America be the land of opportunity where all of its citizens are considered equal. In rendering the decision in the historic Edgewood school finance case, one of the judges noted that all children in Texas public schools are everyone's responsibility, because our collective well-being is highly interconnected.

In the closing comments of his 1994 book, *Texas School Finance Reform – An IDRA Perspective*, Dr. José A. Cárdenas prophetically noted: "The *Edgewood* series of cases has produced a clear and strong statement that the Texas Constitution does require the legislature to provide for equality of access to funds in the school finance system. The most recent *Edgewood IV* appears to have weakened the standard to allow, if not to encourage, further weakening of the school finance system. On the other hand, it is clear that members of the court, as well as the public, realize that, in the long term, the system cannot continue without sufficient funding and equality, and that goals of removing differences between minority and non-minority achievement, reducing dropout rates and increasing overall adequacy in the schools, are matters that must be addressed by the legislature in order to avoid further court involvement." (pg. 350)

Recent frustrations among many school leaders and advocates of equity have led to emerging discussions about the filing of new litigation, not because such confrontations are preferred, but because history has demonstrated that litigation seems to be the only way myopic and recalcitrant state political leaders can be prodded into positive action.

If the state fails in this new challenge, it can blame current legislative leadership that has long known it either can pay for improved public education now or pay much more in the future.

Summary and Recommendations

Re-establishing an equalized system of funding in Texas is made easier by the fact that such a system has existed before and can be reinstated through small but substantive changes to state policy. The changes needed are described below.

Use and update the existing state equalized funding system

The school funding formulae currently in place adjusts state aid to school districts on the basis of a local school districts' property wealth, but it is unable to function as intended because of hold harmless guarantees. Providing state funding through the major system components – for example, the basic allotment, district adjustment allotments (small, mid-size and rural schools), and pupil weights (special education, bilingual education, compensatory education, and gifted and talented) – ensures that district- and student-related costs are taken into account in funding and are adjusted to reflect local school district property tax revenues that are available to help fund those programs.

Eliminate the use of hold harmless adjustments to funding

To increase equity, the state of Texas must eliminate the use of hold harmless adjustments that override state aid formulae based on local property wealth per student. It is not possible to have both a hold harmless-based system and a property wealth-based system working simultaneously, since each is designed to achieve conflicting results. An equalized system is designed to ensure that all school districts have access to similar amounts of revenue per student. A hold harmless system is designed to ensure that

regardless of what equalizing formulas may exist, a school district is guaranteed to have the same amount of money it had in a prior period, even when the prior period was one of gross inequity. Perpetual hold harmless has no place in an equalized system. Though reduced in 2009, hold harmless-based funding for the highest wealth school districts continues to circumvent equalization features that are built into the school finance system.

Eliminate local unequalized enrichment

Unequalized enrichment was the major cause of inequity in the Texas funding system for more than four decades. Equalizing the ability to enrich was achieved from 1993 to 2006 through a combination of state equalization (guaranteed yield) monies and recapture of excess revenue above the equalized level. The first brought low-wealth and average-wealth school district funding up to a specified amount per student. The second neutralized the capacity of high-wealth school districts to have access to unequalized revenue and provided a source of additional money (about \$2 billion) the state could use to increase overall system funding.

The provision adopted in 2006 allowed school districts to raise unequalized revenue that could be generated from a 6¢ tax effort. The remaining 11¢ of enrichment tax was fully equalized so that each school district would receive the same amount of money for the same tax effort. The current flaw in the equalized system could be repaired by reinstating recapture for all local enrichment tax effort.

Instead, unequalized enrichment was continued under the Texas funding plan that was adopted in 2009.

Provide increased funding that covers the actual costs of serving special populations

In contrast to early years of special population funding, extensive research has been conducted on the costs of delivering specialized services to many different types of students in a wide range of different school settings. In Texas as in other states, special program allocations usually have been determined not on the basis of cost, but on arbitrary decisions made by lawmakers. Popular programs are funded below, at or above actual costs, with funding levels often determined by the amount of state revenue available at the time. Programs that serve marginalized communities (low-income, minority, rural) have been historically underfunded, often reflecting a strong reluctance to acknowledge the notion that there are additional costs for educating students with special needs or school districts facing differing staffing or transportation issues. Access to and use of objective, research-based information on those costs is an essential aspect of a system that recognizes and provides for varying costs of goods and services. No substantive increases for special populations were provided in the 2009 reforms, but studies to examine and assess funding for special population programs were mandated. The fact that committee members for the studies are to be appointed by the Governor, Lt. Governor, and Speaker of the House raises some concerns about the potential objectivity of the recommendations that may result from the studies.

Provide predictable and sustainable state funding for school instructional facilities

Since 1997, Texas has recognized varying abilities of communities to support construction and updating of

local school facilities by providing small amounts of funding in some years. The historically small allocations often have resulted in the exclusion of hundreds of schools educating thousands of students that have facility needs but are not provided funding because the token levels of state money run out.

Current policies require school districts to take a chance that state funding will be available and that they might qualify and might make the cut before funding runs out by requiring that they have already passed a bond issue authorizing future construction before they can apply for state aid. School districts are thus put in a quandary of either passing a bond issue that will require vastly different local tax rates depending on whether or not it gets state aid later, or not taking that chance and doing without. The process needs to be streamlined to enable school districts to know if they are eligible for state funding and if it is going to be available before having to initiate local bond elections.

Ensure excellence rather than settling for adequate

In a globally competitive economy, the penny wise and pound foolish approach of funding schools at a minimal level will no doubt come back to haunt the state for generations to come. As the state's elders became increasingly dependent on the younger working population, one would think maximum rather than minimum incomes would be the objective. The fact remains, we cannot settle for anything less than excellence for all Texas children. Due to the lack of substantive state investment in public education, current levels do not represent the costs of operating excellent schools and thus must be adjusted.



In rendering the decision in the historic *Edgewood* school finance case, one of the judges noted that all children in Texas public schools are everyone's responsibility, because our collective well-being is highly interconnected.



IDRA Principles for Fair Funding for the Common Good

Any changes that will affect the distribution of state funding will need to include consideration of the effects of specific reforms on equity. To help focus the reforms that may be included in school funding plans, IDRA uses a set of principles to assess the equalization potential of any proposed reform plan. We welcome their adoption and dissemination by all who agree that all children are valuable, and none is expendable. No state funding should be provided outside of the equitable funding plan.

Principle 1: Funding Equity – Texas must increase the level of equity found in the existing school funding system.

Principle 2: Equal Return for Equal Tax Effort – Texas must specifically provide for equal return for equal tax rates, for all school districts, at all levels of the state permitted tax effort.

Principle 3: Excellent Education – Texas must provide equitable access to excellent education (defined as equitable access to high quality curricula, teaching, support services, and facilities) for all students in all school districts, precluding the need for and thereby prohibiting any local unequalized enrichment.

Principle 4: Access to Equalized Enrichment – Texas must ensure that, if local supplementation of a state-funded adequate system is allowed, the *entire* additional local tax effort provides equal yield for equal tax effort,

regardless of the local property wealth of individual districts.

Principle 5: Recognizing Special Student Costs – Texas must equitably provide add-on funding based on actual costs of providing appropriate supplemental services to students identified as limited English proficient, low-income, or requiring special education services.

Principle 6: Access to Equalized Facilities Funding – Texas must provide equitable access to funding for school facilities so that all districts have equal access to facilities revenue for equal tax effort. Facilities funding should provide support for updating and maintaining existing facilities as well as funding for new facilities. Special facilities-related needs for fast-growth districts should be recognized in any proposed funding formulae.

Principle 7: Maintaining Levels of State Support – Texas must ensure that the state will fund a minimum of 60 percent of the overall cost of education in the state or a greater percentage when possible.

Principle 8: Tax Burden – Texas must base any potential requirement for additional state revenue on adoption of progressive measures of taxation that are based on local school district and/or individuals' ability to pay taxes, and must not result in a shift of tax burden from high wealth school districts to all other school districts or from more affluent to lower income taxpayers.

Glossary

“Adequate” Funding – The amount of money schools would need to meet minimum, or basic, “adequate” state education requirements, with “adequate” being defined by the state or, as in Texas, by the state courts.

ADA – Average Daily Attendance – The average number of students that are at school on a normal school day. Schools calculate this by dividing the total number of students who attend school each day of the school year by the number of instructional days in the school year for the best five of six, six-week reporting periods. For example, if 100 students attended school for 100 days, the total cumulative number comes to 10,000. If there are 200 class days in a school year, then the ADA is 50 students (10,000÷200 days). (see also “WADA”)

Basic Allotment – The specific amount of money a Texas school district gets per student to provide state-required education. In other words, the amount of funding (or allotment) a school district receives is based on the number of students the school district serves.

Chapter 41 District – A school district with property wealth that is greater than \$476,500 per student (WADA) is considered to be a property wealthy school district. These school districts are subject to the recapture provisions in the Texas school finance system. This type of school district is defined in Chapter 41 of the Texas Education Code because specific finance-related rules that apply to them are contained in that section of the Texas Education Code.

District Property Wealth – The total amount of (real) taxable property located within a school district’s legal boundaries, as determined by state estimates, divided by the total number of weighted students (or in some cases average daily attendance) in the school district.

Edgewood Cases – A series of four lawsuits that challenged the inequalities in the Texas school finance system, known as *Edgewood I* (1989), *Edgewood II* (1991), *Edgewood III* (1992) and *Edgewood IV* (1995).

Equality – The availability of equal dollars per student.

Equalized Wealth Level (EWL) – When a school district has more property wealth per Weighted Average Daily Attendance (WADA) than the equalized wealth level, it is subject to recapture provisions of Chapter 41 of the Texas Education Code. In 2009, there were actually two equalized wealth levels \$476,500 per WADA in Tier I of the funding systems and \$319,500 per WADA at Tier IIb.

Equitable Resources – Goal 5 of the Six Goals of Educational Equity – Funding, staffing and other resources for equity-based excellence that are manifested in the existence of equitably assigned qualified staff, appropriate facilities, other environmental learning spaces, instructional hardware and software, instructional materials and equipment, and all other instructional supports, are distributed in an equitable and fair manner such that the notion that all diverse learners must achieve high academic standards and other school outcomes become possible.

Equity – Equity is defined as “equal treatment of equals” or ensuring that schools have equitable amounts of money to educate students, including taking into account that students with different needs require differing levels of funding to address those needs.

Existing Debt Allotment – State funding provided to Texas school districts to help them pay for debt that they have already incurred to pay for new schools, school upgrades, renovations, and other capital outlay (furniture, etc.) costs related to facilities.

Facilities Funding – State money that has been allocated for school construction and related expenses. The state legislature sets the amount of state funds that can be spent by school districts.

Faux Chapter 41 School Districts – Among Texas school districts that are subject to recapture, there is a subset that get all their recapture monies returned to them due to hold harmless or other adjustments to funding formulae. Since these school districts do not actually contribute to the recapture money used by the state to equalize school funding, they are not truly “Chapter 41” school districts but only appear to be so because of their high property wealth level. A few Faux 41 school districts “complain” about sending money to the state (and blame their tax rate levels on recapture) when they actually know they wind up getting it all back – a fact that many of their residents are not aware of. (*A list of Faux Chapter 41 school districts is available online at: http://www.idra.org/Education_Policy.htm/Fair_Funding_for_the_Common_Good/*)

Guaranteed Yield – The amount that the state “guarantees” is provided for school districts for every penny of tax effort that they collect at the local school district level. Used by the state of Texas to “equalize” the amount of money raised by school districts that have different levels of property wealth. For example if the Guaranteed Yield is \$25 per penny of tax effort, all school districts are guaranteed that amount per penny of local tax effort. If school district A raises only \$5, the state provides the additional \$20 needed to reach the guarantee; if school district B raises \$15, the state provides an additional \$10 to that

school district. This is also referred to as equalizing returns for local tax effort, or equalized yield.

Hold Harmless – Provisions that promise school districts that they will receive at least as much state funding as they got before legislative changes in school funding formulae would have reduced their funding.

Instructional Facilities Allotment – The portion of the Texas school funding plan dedicated to helping school districts pay for new instructional facilities. It is designed to help school districts fund debt service payments related to building instructional facilities. Since it is funded at varying levels in every biennium school districts must apply and be selected on the basis of certain criteria. Not all school districts receive IFA funding. Among those that do, the state guarantees a yield of \$35 for each penny of debt service tax effort up to a maximum of \$35.

Local Enrichment – Local enrichment refers to extra money raised by school districts beyond the minimum funding provided by the state system. Local enrichment can be equalized (see #1) or unequalized (see #2). Unequal local enrichment has been considered to be a weakness and monumental flaw of the Texas system of school finance. If the system is unequalized, for example, a local school district may be able to raise only \$10 per student from its local property taxes, while a wealthy school district may raise \$100 per student. In equalized enrichment, the state would provide the difference to the poorer school district so that it is even with the wealthier one. If local enrichment is not equalized, then some schools can spend several hundred dollars per student, and some can spend several thousand dollars more.

1. *Equalized enrichment* is supplemental tax effort where the school district gets the same amount for the same tax effort.
2. *Unequalized enrichment* refers to that portion of the state school finance system where some school districts get more tax revenue than other school districts, though both tax at the same level.

Maintenance and Operation – M&O taxes pay for administration and operational costs of schools (teachers, busses, classrooms, etc.) but not school facilities. The state limits M&O taxes to \$1.19 per \$100 valuation.

Progressive Tax – A kind of taxation that is based on wealth. The more money one has, the more one pays. Federal income tax is an example of a progressive tax. This is the opposite of regressive tax. Property taxes are not progressive taxes because lower income persons tend to use a higher percentage of their income to cover that cost than higher income persons.

Property Poor School Districts – School districts that cannot raise enough revenue to provide even a minimum education

without state funding.

Property Wealthy School Districts – School districts whose property wealth per student is notably higher than the state average. These school districts have a property wealth level above the “equalized wealth level” (\$476,500 of taxable value per weighted student), which also are referred to as “Chapter 41” school districts. Put another way, this refers to school districts that are so wealthy that they do not need to get any money from the state to run their schools. In Texas, these school districts are subject to recapture are considered property rich school districts.

Property Tax – The property tax is an ad valorem tax. Schools charge and collect property taxes (as do cities, counties and other taxing school districts).

Recapture – The provision of the Texas school finance system that was created in 1993 in response to court rulings that found the system inequitable and, thus, unconstitutional. Currently, property wealth in the state’s wealthiest school districts is used to help support educational equity across the whole system. A school district with a wealth level of \$800,000 keeps all the local tax money for the first \$475,500 in its wealth base; however for the remaining \$323,500 of wealth, it must share the extra revenue with the state.

Regressive Tax – A tax in which the proportion of one’s income that one pays in taxes is larger for people that are poor. An example of a regressive tax is the sales tax.

“Robin Hood” – Name erroneously given to the school finance system that requires wealthy school districts to share their locally-generated property tax money with the state of Texas to help pay for public education for all children. The name is a myth because the finance system does not “take from the rich and give to the poor,” rather it spreads the funds from property taxes across more than 800 poor, average and some above average wealth school districts around the state. The recapture system benefits more than 90 percent of students.

Special Population Funding – Refers to the four major student subgroups that have been determined to have special needs and therefore require supplemental funding. The student groups include: students who are eligible for free or reduced-price lunch (compensatory education); students with unique physical or emotional needs (special education); students needing specialized instruction because they are in the process of learning English (bilingual education and English as a second language); and students who are academically gifted or have fine art talent (gifted and talented). There are corresponding funding formulae dedicated to those groups.

Target Revenue – The minimal amount of funding per WADA that is guaranteed for each school district based on its 2006-07 state and local revenue plus additional add-on funding provided to school districts in subsequent years. Until 2009, target revenue amounts were used as the basis for determining local school district funding, thereby over-riding existing more equitable state finance formulae that might produce less than or greater funding per WADA.

Tier I – The part of the state education finance system that covers basic costs for providing a minimum education in Texas. To get their Tier I state funding, school districts must levy a local property tax of at least \$1.00 on each \$100 of property value.

Tier II – The portion of the Texas finance system that allows school districts to raise and spend more than the minimum provided by Tier I. It allows individual school districts to raise additional funds based on extra individual tax efforts. The maximum Tier II tax effort that a school district can raise is 17¢ (since Texas “caps” or limits, local property taxes at a maximum of \$1.17).

Tier IIa – The portion of the Texas school funding plan that allows school districts to levy up to 6¢ of additional local property taxes to raise money above the minimum program. The state guarantees that every school district will get the same amount per penny of this tax effort as Austin ISD (which is estimated to be about \$58 in 2010). If a wealthy school district is able to raise more than the \$58, it can keep all the extra money.

Tier IIb – Includes an additional 11¢ of extra local tax effort school districts can levy after they meet their \$1.00 local share requirement and use up the 6¢ allowed under Tier IIa. For the additional 11¢ tax effort (between \$1.12 and \$1.17) school districts are guaranteed a yield of \$31.95 for each penny of tax effort. All school districts that have property wealth that generates more than the guaranteed amount are required to share the extra revenue through recapture.

Tier III – Allows school districts to raise funds for existing school facilities with the state guaranteeing a certain amount of funds for each extra penny of local bonded debt tax effort. This facilitates funding, however has been given only to a small subset of school districts that qualify because of limited state funding.

Unequalized Enrichment – A term used to describe money that is unequally available to school districts because of differences in local property wealth per student and that is not equalized by state funding. This gives certain school districts different amounts of additional funds for enhancing educational opportunity beyond the basic programs provided by the equalized foundation school program and equalized enrichment.

WADA – Weighted Average Daily Attendance – The state practice of providing extra money for schools based on the number of special needs students enrolled in a school district. The basic allotment is adjusted to take into account school district and student characteristics, such as limited English proficiency, disability and poverty.

Weights – Students differ greatly in their educational needs. The costs associated with meeting these needs vary widely (i.e., it is more expensive to provide vocational education than it is to offer a traditional academic program). The state finance system assigns an extra weight for each student with certain special needs and uses this to deliver extra money to school districts to help pay those extra costs. Under Texas finance formula, students who are from low-income families, those who are learning English, children who are gifted, and those who have certain disabilities earn extra money for their school district. These different groups are given a “weight,” meaning that they count like one whole student plus a bit more. For example, low-income students are counted as 1.2 students, and students who do not speak English are counted as 1.1 students. To determine a school district’s WADA, the state adds all of these and treats them like extra students who enroll in that school district. For example, a school district may have 100 total students but all the extra credit it receives for students with special needs may add up to a total of 120, so the state gives that school district enough money to educate 120 students. The extra weight is provided because schools often need to provide additional, specialized services for students with special needs.

West Orange-Cove Case – Is a challenge to the Texas school finance system as it existed in 2004. Plaintiffs included a subgroup of wealthy school districts and another subgroup of average and low wealth school districts that claimed that the amount of funding provided by the Texas system did not support delivery of an “adequate education” and that because all school districts needed to tax at the maximum of \$1.50, this constituted a statewide property tax, in violation of the Texas Constitution. The Texas Supreme Court ruling in the case was that Texas provided sufficient funding to be considered adequate since most school districts were able to meet certification requirements. It also ruled that the \$1.50 maximum was a state tax and ordered the state to pick up a larger share of costs. Also, the court ruled that as long as the state equitably funded a minimum education that met state requirements it could allow school districts to raise unequalized enrichment to provide additional educational services to local students.

Additional glossary terms and information on the West Orange-Cove decision are available online at: http://www.idra.org/Education_Policy/htm/Fair_Funding_for_the_Common_Good/

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