A Plan for Fixing Texas’ M&O Funding Problem
Simple – Fair – Efficient
An Efficient Texas Public Education Funding System

1. Establish Guiding Principles
2. Identify Inequities and Inefficiencies
3. Develop the Solution
4. Consider a Transition
A world-class, free public education system must be our new standard, because we compete on a global basis. A second-rate system of public education will result in a second-class Texas.

Children in any Texas school district must have access to educational opportunities that are appropriate to their needs and similar in quality to those provided to children in any other Texas district. An efficient school funding system does not pick winners and losers among children; all children are given an even chance.

An efficient system is devoid of waste. Differences in funding that are not justified by differences in either tax effort or educational and operational costs that are beyond a district’s control must be eliminated in order for available resources to be focused on real costs.
The Foundation School Program

Maintenance & Operation (M&O)
- Generally, the costs of running the school district

Tier 1 Basic Instructional Program
- Regular Program Allotment
- 9 Special Purpose Allotments

Tier 2 Enrichment
- Tier 2, Level 1 Golden Pennies
- Tier 2, Level 2 Copper Pennies
- First 6 pennies of adopted M&O tax rate above the compressed tax rate; called "golden" because high funding level and no recapture
- All pennies of M&O tax rate above the golden pennies (at least 11); called "copper" because low funding level and recaptured

Interest & Sinking (I&S)
- To make bond payments

State Funding
- Instructional Facilities Allotment (IFA)
- Existing Debt Allotment (EDA)

Local Funding
- Ad valorem or Property tax collections generated by a locally-adopted I&S tax rate

Tier 2 Enrichment
- Tier 2, Level 1 Golden Pennies
- Tier 2, Level 2 Copper Pennies

- Special Education
- Compensatory Education
- Bilingual Education
- Career & Technology Education
- Transportation
- New Instructional Facility (NIFA)
- Public Education Grant
- High School Allotment
- Gifted & Talented
Maintenance & Operation (M&O)

- Generally, the costs of running the school district

The Foundation School Program

Tier 1 Basic Instructional Program

- Regular Program Allotment
- 9 Special Purpose Allotments

Tier 2 Enrichment

- Special Deals for Special Folks
- Band-Aids
- Avoiding Tough Decisions

Tier 2, Level 1 Golden Pennies

Tier 2, Level 2 Copper Pennies

High School Allotment

Interest & Sinking (I&S)

- ASATR
- Target Revenue
- State Funding
- Local Funding

- Ad valorem or Property tax collections generated by a locally-adopted I&S tax rate

Band-Aids

- Special Deals for Special Folks
- Band-Aids
- Political Expediency
There are no free lunches – Somebody always pays

Every dollar spent for a non-cost reason takes a dollar away from the amount of money available to fund all districts.
An Efficient Texas Public Education Funding System

The Solution

a) Remove inequitable (i.e., not based on cost) and unnecessary funding elements
b) Simplify and stabilize the system
c) Roll resulting savings into the Basic Allotment
d) **ALL** school property taxes must go to fund public schools
Terms and phrases no longer necessary to determine district funding
Efficient Funding for Special Needs and Costs

All districts are guaranteed to receive the full allotment to which they are entitled for the categories below. This plan does not change current student and district weights for these categories. Changes to weights are determined by the Legislature, but should be based on unbiased and objective studies to reflect actual costs.

- Regular Program Allotment
- Special Education Allotment
- Career and Technology Allotment
- Compensatory Education Allotment
- Bilingual Education Allotment
- Transportation Allotment
Enrichment and Safety Net Funding above Allotments

• These 6 allotments are intended to provide sufficient funding for districts to be fully accredited and to meet other State requirements and goals.
  
  • It is impossible to hone an edge that fine. Districts need access to additional funds in the event the sum of categorical aid is insufficient or other special needs arise.

• The plan also recognizes that communities have unique needs and expectations that require access to enrichment funding above the sum of the six allotments.
  
  • Districts willing to tax higher to have the resources to be exemplary are provided an equalized opportunity to do so in this plan.
A Formula so Simple it Doesn’t Even Need to be One

District Funding = (Sum of Allotments) X (Adopted Tax Rate)
Determining District Funding

• Examples: Assume a district’s 6 allotments total $1 million.

  • If its ATR = $1.00, its funding equals $1,000,000 x 1.00, or $1,000,000

  • If its ATR = $1.04, its funding equals $1,000,000 x 1.04, or $1,040,000

  • If its ATR = $1.17, its funding equals $1,000,000 x 1.17, or $1,170,000

  • If its ATR = $0.90, its funding equals $1,000,000 x 0.90, or $900,000
The State provides whatever is lacking after applying the Available School Fund Per Capita payment and the M&O tax collections (both current and delinquent) for the school year.

Local M&O taxes collected during the school year constitute a district’s local share.

The first payment to fund a district’s M&O funding amount comes from its Available School Fund Per Capita distribution.
Determining M&O Recapture for Property Wealthy Districts

Local M&O taxes collected during the school year constitute a district’s local share. In some very wealthy districts, ASF Per Capita plus collections will exceed the district funding amount.

The first payment to fund a district’s M&O funding amount comes from its Available School Fund Per Capita distribution.
Determining M&O Recapture for Property Wealthy Districts

M&O collections in excess of the M&O funding level are recaptured. Increases in recapture are used to increase the Basic Allotment, enriching the total system for all districts, taxpayers, and children.

Local M&O taxes collected during the school year constitute a district’s local share.

The first payment to fund a district’s M&O funding amount comes from its Available School Fund Per Capita distribution.
Spend public education taxes on public education

• 100% of local property taxes collected for public education must be spent on public education—usually for student growth and to increase the Basic Allotment

• 100% of recaptured funds must be spent on public education—with any increase used to increase the Basic Allotment, to the benefit of the entire system
A Transition Plan

• If the band-aids are removed, a number of districts that have been receiving excess benefit will lose funding (just as others will go up)

• Should the Legislature decide a transition plan is warranted for these districts, we suggest it be done differently to avoid the problems created by current hold harmless funding methods.
  • Establish a *dollar* amount (not an amount per student) for transition funding
  • Keep transition funding separate and apart from the new formula system
  • Make transition funding a line item in both the State budget and in each receiving district’s funding report so everyone knows what’s going on
  • Establish a phase down percentage up front for each year (for example: 80% in year two; 60% in year three; 40% in year four; and 20% in the last year)

• Target Revenue/ASATR has been given 6 years notice that it will go away; that should not be extended because it costs all other districts
One Texas