



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

Three Principles of an Efficient School Funding System

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.

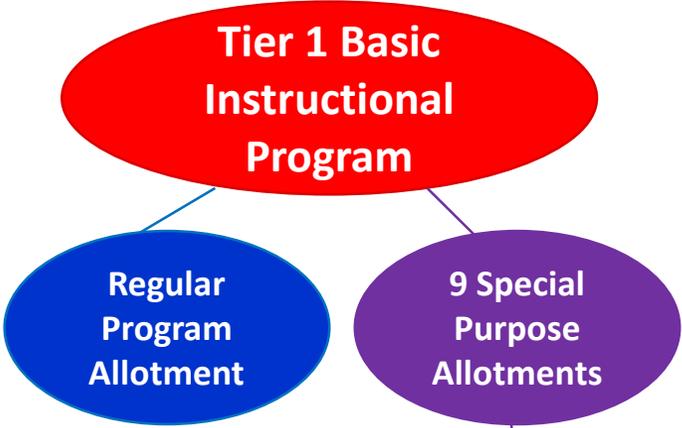
An efficient system is devoid of waste. Differences in funding that are not justified by differences in either tax effort or educational and operational costs that are beyond a district's control must be eliminated in order for available resources to be focused on real costs.

The Foundation School Program

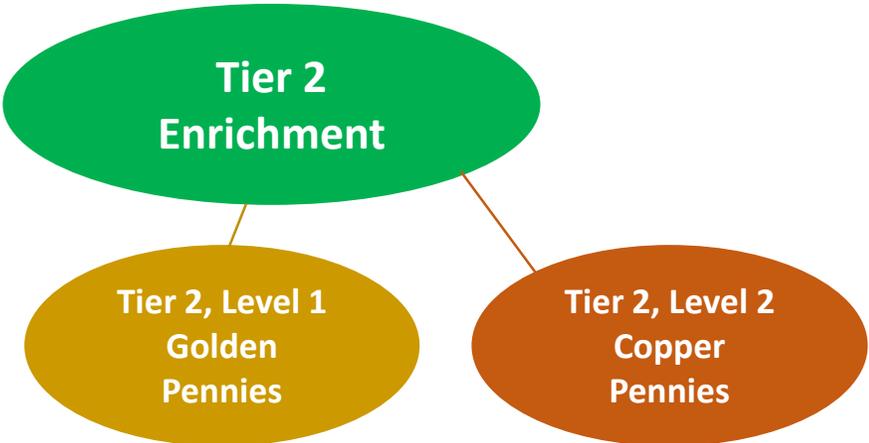
Maintenance & Operation (M&O)
Generally, the costs of running the school district



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



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



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



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

Instructional Facilities Allotment (IFA) & Existing Debt Allotment (EDA)

The Foundation School Program

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



Interest on Bond Payments (I&S)
Interest on bond payments

Target Revenue

Tier 1
Basic Instructional Programs (BIP)

Tier 2
Enrichment

State Funding

Local Funding

Regular Program Allotment

9 Special Purpose Allotments

Level 1 Golden Pennies

Tier 2, Level Copper Pennies

- Special Education
- Compensatory Education
- Bilingual Education
- Career & Technology Education
- Transportation
- New Instructional Materials (NIFA)
- Public Education
- High School Allotment
- Gifted & Talented

Golden pennies of M&O tax rate above the competitive tax rate; called "golden pennies" because high level and

Copper pennies of M&O tax rate above the golden pennies (at least 11); called "copper pennies" because low for

Ad valorem or Property tax collections generated by locally-adopted ISD

Local funding

Special Deals for Special Folks

Band-Aids

Special Deals for Special Folks

Avoiding Tough Decisions

High School Allotment

Band-Aids

Political Expediency

Band-Aids

Band-Aids

ASATR

There are no free lunches –
Somebody always pays

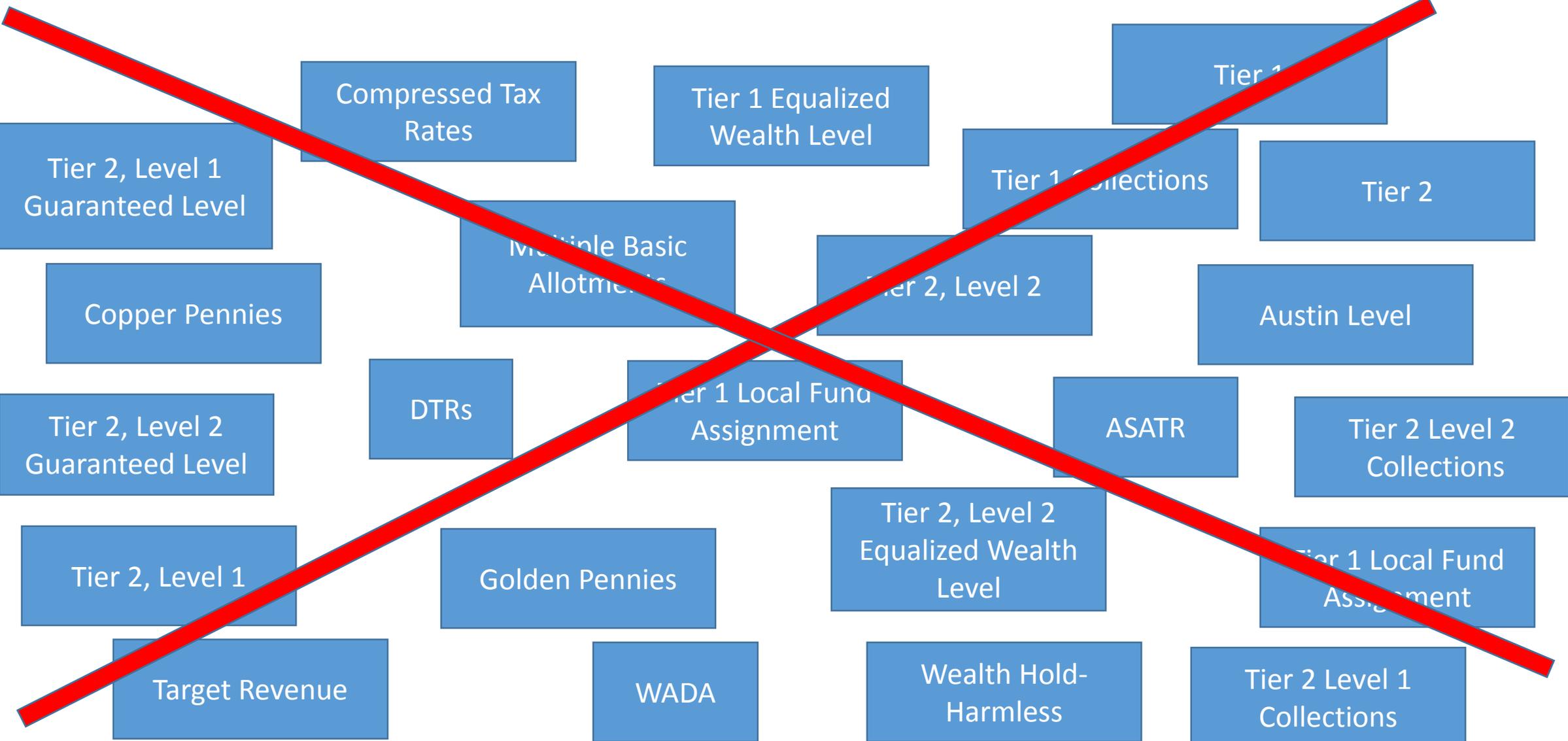
Every dollar spent for a non-cost reason takes
a dollar away from the amount of money
available to fund all districts.

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.

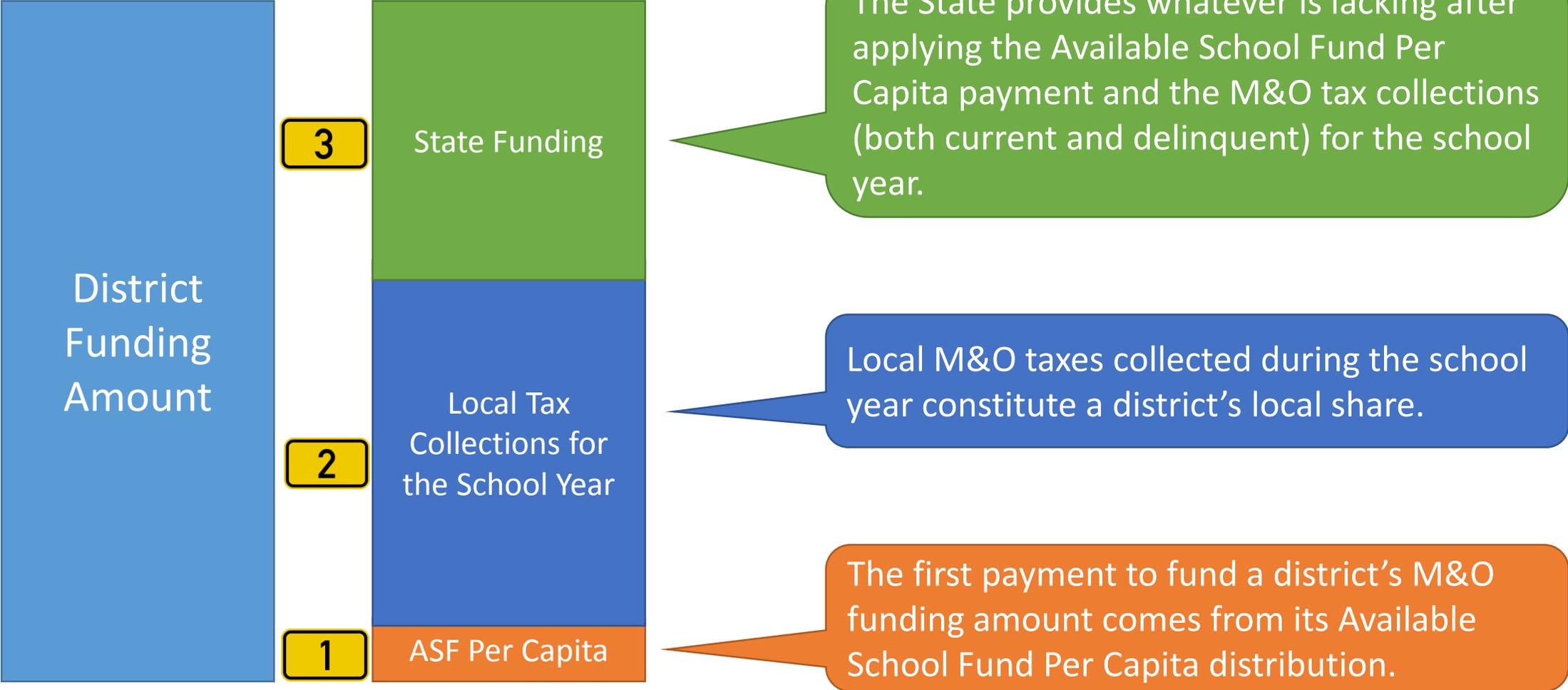
A Formula so Simple it Doesn't Even Need to be One

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

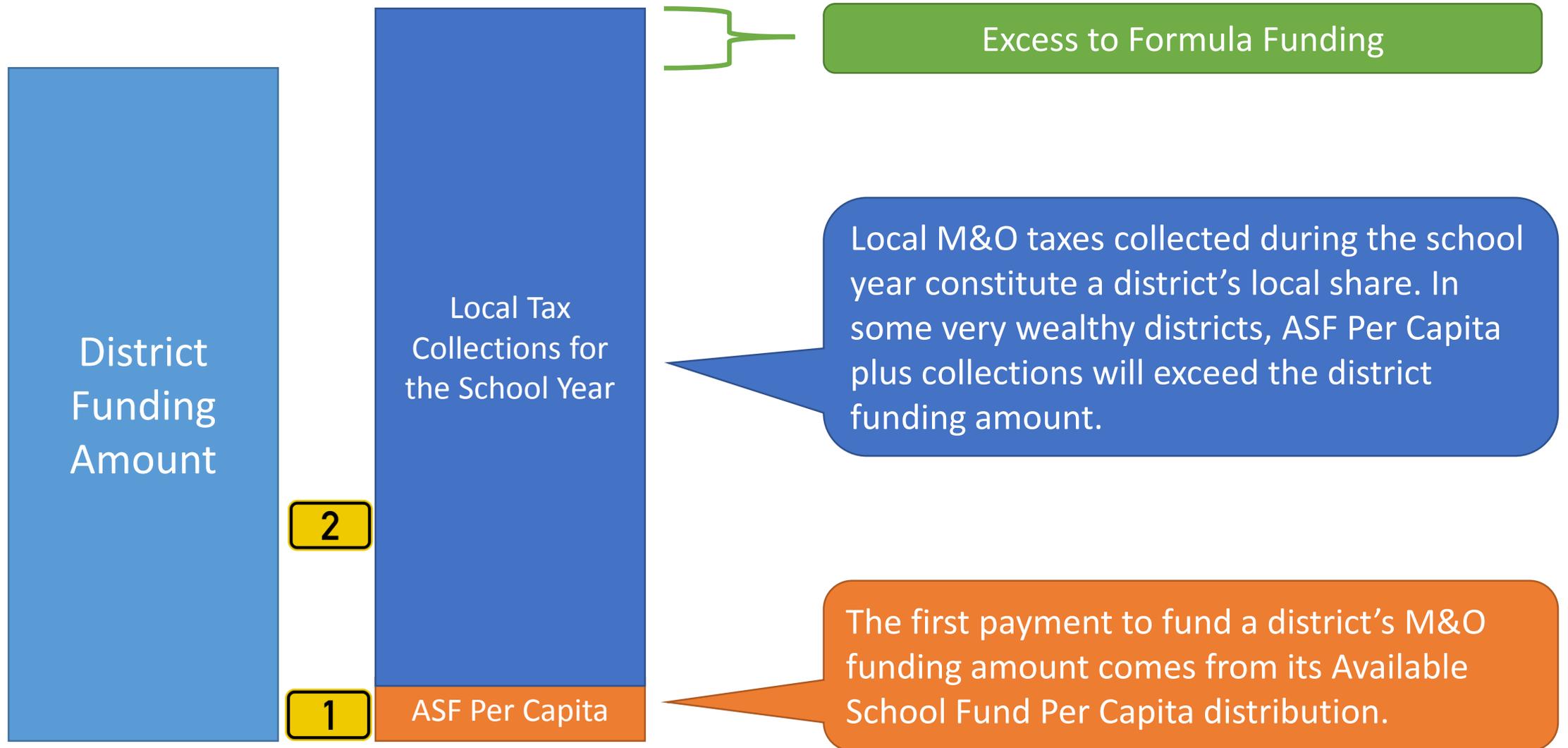
Determining District Funding

- 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

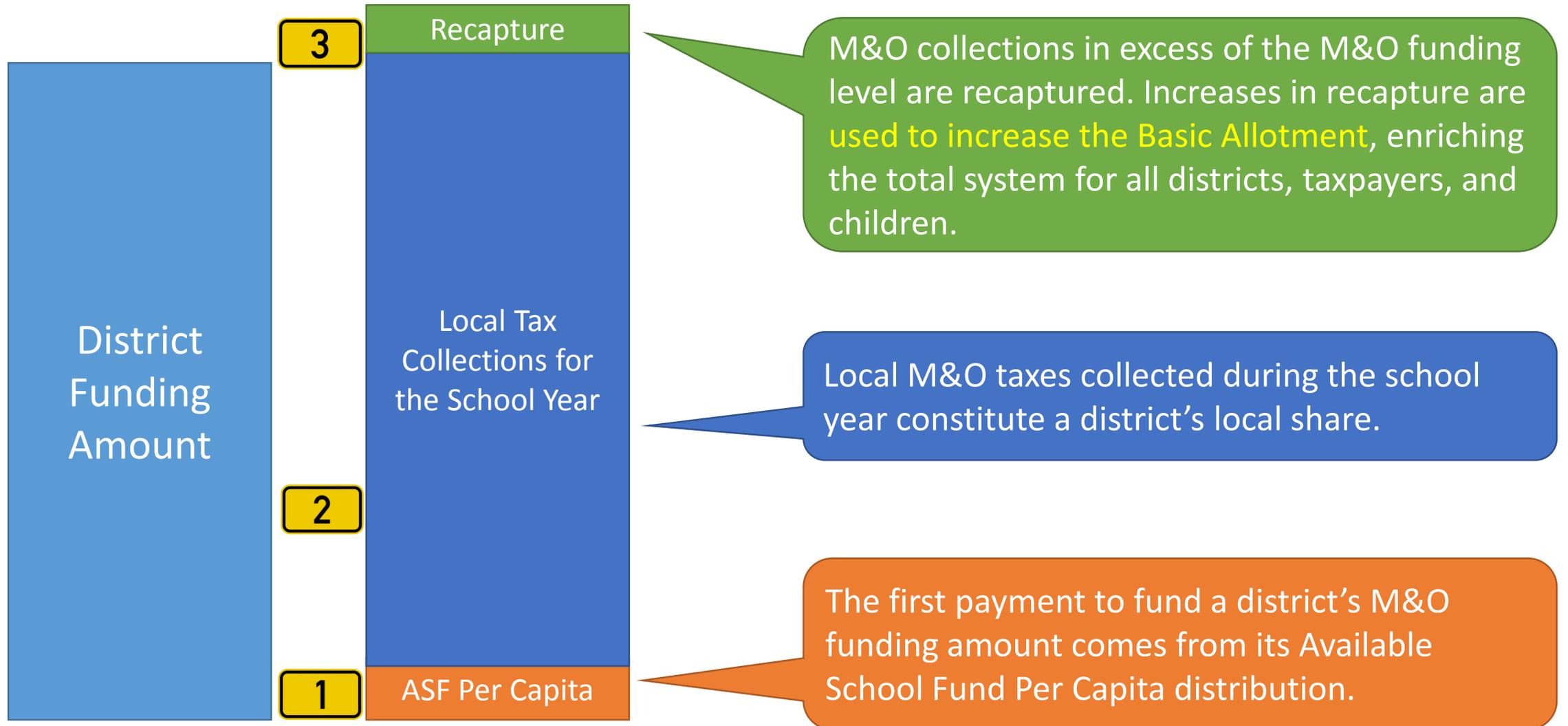
Determining State/Local Funding for M&O



Determining M&O Recapture for Property Wealthy Districts



Determining M&O Recapture for Property Wealthy Districts



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