Texas Commission on Public School Finance

Expenditures Working Group Recommendations

September 25, 2018

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Expenditures Working Group Members

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Expenditures Working Group Process

- Working Group Goals
  - Strategically reallocate funding from outdated allotments to new priorities
  - Streamline existing formulas
  - Drive more funding to high need students

- Working Group Statistics
  - Met for more than 24 hours
  - 24 witnesses over 9 meetings
  - 22 Recommendations for the Full Commission

RECOMMENDATIONS: REALLOCATIONS & SAVINGS

Recommendation #1

Reallocate CEI Funds

- Background:
  - Created in 1984 and last updated in 1991
  - Provides an adjustment for the cost of educating students in a district's particular region of the state, ranging from 1.02 to 1.20

- Rationale:
  - Adjustments based on regional costs that were adopted almost 30 years ago are no longer valid
  - Existing statutory process that was intended to update the adjustments has not been utilized

- Annual Savings: $2.9B

Recommendation #2

Reallocate Chapter 41 Hold Harmless Funds

- Background:
  - Created in 1993 to provide hold harmless funding for 3 years after recapture went into effect
  - Extended twice and then made permanent in 1999
  - Currently affects 40 districts
- Rationale:
  - Created as a temporary provision 25 years ago
  - Intended to help districts avoid drastic budget cuts in years immediately following the establishment of the recapture system
- Annual Savings: $30M

Recommendation #3

Reallocate Chapter 41 Early Agreement Credit Funds

- Background:
  - Created in 1995
  - Provides a credit against recapture amounts for districts that submit an agreement to purchase attendance credits by September 1st
- Rationale:
  - This is NOT a discount for the early payment of recapture amounts, so there is no benefit to the state
  - Currently, 100% of districts choose to purchase attendance credits in order to reduce their equalized wealth level, and almost all of these districts submit their agreements by September 1st
- Annual Savings: $50M

Recommendation #4

Reallocate Gifted & Talented Allotment Funds

- Background:
  - Created in 1984 and last updated in 1991
  - Funding is limited to 5% of a district's ADA

- Rationale:
  - Virtually all districts currently receive the maximum funding allowed under this allotment (5% of ADA), so the same result could be accomplished by distributing these funds through the basic allotment
  - Statutory requirements regarding educational programs for gifted and talented students will remain in effect

- Annual Savings: $165M

Recommendation #5

Reallocate High School Allotment Funds

- Background:
  - Created in 2006 and amended in 2009
  - Provides $275 for every student in ADA in grades 9-12

- Rationale:
  - These funds were originally intended for programs to decrease dropouts and increase college readiness; however, because this allotment is distributed on ADA, these funds are not necessarily flowing to the students that need it the most
  - This goal is better accomplished through other allotments, such as compensatory education or career & technology

- Annual Savings: $400M

Move From Prior Year Property Values to Current Year Property Values

- Background:
  - Prior year property values are currently used in wealth per student calculations within the school finance system.
  - This creates a lag within the system, so that it does not properly reflect local tax revenues
- Rationale:
  - Current year values would be more indicative of the rising property value growth across the state and provide a more accurate picture of the needs of Texas schools
  - District cash flows would not be affected
- FY20 Savings: $1.8B

RECOMMENDATIONS:
CHANGES TO EXISTING ALLOTMENTS

Recommendation #7

Base Compensatory Education Funding on a Campus Specific Spectrum (0.225 to 0.275)

- Background:
  - Created in 1984
  - Provides 0.2 weight for economically disadvantaged students (determined by eligibility for the federal free/reduced lunch program)
  - Purpose of the funds is to eliminate disparities between these and other students in assessment performance and graduation rates

- Rationale:
  - Research shows that the higher the concentration of poverty is within a district, the greater its impact on student performance
  - Spectrum approach would direct more funds to districts that have campuses with high concentrations of poverty
  - Commission should also consider the use of alternative measures of poverty for this allotment

- Annual Cost: $1.1B (using weights of 0.225 to 0.275)

Recommendation #8

Base Transportation Funding on Mileage (80¢ per mile)

- Background:
  - Last updated in 1984, at which point the allotment covered 70-80% of district transportation costs
  - Current allotment is based on a linear density formula

- Rationale:
  - Current system uses rates that have not been updated in over 30 years
  - Allotment now covers only 25% of district transportation costs
  - Current system also allows routes that are not advantageous to a district's linear density calculation to be excluded
  - A mileage approach is much more straightforward
  - The mileage rate should be set in the appropriations bill

- Annual Cost: Neutral (rate based on current funding)

Recommendation #9

Provide Transportation Funding to Chapter 41 districts

- Background:
  - Currently, Chapter 41 districts do not receive direct state support for transportation costs
- Rationale:
  - State should not create a disincentive for Chapter 41 districts to provide transportation services for their students
- Annual Cost: $60M

Recommendation #10

Recreate Small/Mid-Size District Adjustments as a Stand-alone Allotment

- Background:
  - Small district adjustment was created in 1974 and amended in 2017 to phase in the full adjustment for districts under 300 square miles in size
  - Mid-size district adjustment was created in 1997 and amended in 2009 to allow Chapter 41 districts to receive it
- Rationale:
  - Stand-alone allotment increases transparency and helps to streamline the formulas
- Annual Cost: $0 to 400M

Recommendation #11

Increase New Instructional Facility Allotment (NIFA) Appropriation to $100 million per year

- Background:
  - Created in 1999 ($250 per ADA)
  - Updated in 2017 ($1000 per ADA) but no additional funding provided (resulting in an actual allotment of approx. $235 per ADA for FY18)
  - Provides funding for operational expenses associated with the opening of a new instructional campus

- Rationale:
  - Legislature increased the award amounts but did not appropriate sufficient funds to satisfy this intent

- Annual Cost: $76.3M

Recommendation #12

Expand Career & Technology Allotment to Include Courses in 6^{th} – 8^{th} Grade

- Background:
  - Created in 1984 and updated in 2003
  - Currently only applies to courses in 9^{th} – 12^{th} grades

- Rationale:
  - Since the state is investing in P-TECH and other career and technical programs, it makes sense to incentivize courses that can prepare student to enter those programs

- Annual Cost: $20M

RECOMMENDATIONS:
NEW ALLOTMENTS & PROGRAMS

Recommendation #13

Create New Dual Language Allotment

- Background:
  - Currently have a single bilingual education weight (0.1) that includes students in dual language programs
  - Total annual cost of bilingual education weight: $570M

- Rationale:
  - Dual language programs have been shown to have better academic outcomes that other bilingual education programs but districts need additional support to implement them
  - Recommendation suggested by the Outcomes Working Group

- Annual Cost: $15M to $50M (using weight of 0.15)

Create New Dyslexia Allotment

- Background:
  - Currently, districts do not receive direct funding to support students with dyslexia and related disorders that receive services under Section 504 rather than IDEA
  - In the 2017-18 school year, less than 2.5% of students (approx. 165,000) received services for dyslexia and related services

- Rationale:
  - Districts are already providing the additional supports needed by these students but not receiving any additional funds to do so
  - The prevalence of dyslexia in students is between 5-17%
  - Additional funding will help to provide the early identification and intervention that can improve these students' academic success

- Annual Cost: $100M (using weight of 0.1)

Recommendation #15

Create New Early Childhood Support Allotment

- Background:
  - In 2018, only 41% of 3rd graders achieved the "meets standard" level in the STAAR reading assessment; that number falls to only (i) 30% for economically disadvantaged students and (ii) 26% for ESL students, with both groups representing the fastest growing populations in K-12
  - Students that meet this standard in 3rd grade are more significantly more likely to meet the state standard again in later grades in both reading and math

- Rationale:
  - Provides additional funding to districts for economically disadvantaged and ESL students in kindergarten through 3rd grade to improve 3rd grade reading outcomes (and thus improve later outcomes as well)
  - Funding should be sufficient to allow a district to provide full-day pre-K to all eligible students if it so desires among its various literacy strategies
  - Recommendation from the Outcomes Working Group

- Annual Cost: $780M (using weight of 0.1)

Recommendation #16

Create New Grade 3 Reading Incentive Program

- Background:
  - In 2018, only 41% of 3rd graders achieved the "meets standard" level in the STAAR reading assessment; that number falls to only (i) 30% for economically disadvantaged students and (ii) 26% for ESL students, with both groups representing the fastest growing populations in K-12
  - Students that meet this standard in 3rd grade are more significantly more likely to meet the state standard again in later grades in both reading and math

- Rationale:
  - Provides additional funding for each 3rd grader achieving reading proficiency at the "meets standard" level
  - Recommendation from the Outcomes Working Group
  - Outcomes Working Group recommendations also advise using a spectrum of incentive amounts in order to equitably reflect achievement disparities between different student populations

- Annual Cost: $400M (using weight of 0.4)

Recommendation #17

Create New College, Career & Military Readiness Incentive Program

- Background:
  - Although ~90% of Texas H.S. students graduate in 4 years, <40% demonstrate post-secondary readiness on a SAT/ACT/TSI assessment
  - Students that do not demonstrate college readiness must then pay to take developmental education courses in their post secondary education for no credit, wasting student loan and Pell grant funds on remediation that should have happened before high school graduation
  - Student FAFSA and college applications inadequately supported, requiring additional resources (Texas forgoes >$500M of Pell grants annually)

- Rationale:
  - Provides additional funding for each graduating senior that does not require remediation upon graduation AND successfully enrolls in college, achieves an industry-accepted certificate, or enlists in the military
  - Offers a more targeted college readiness approach than the existing HS allotment
  - Recommendation from the Outcomes Working Group
  - Outcomes Working Group recommendations also advise using a spectrum of incentive amounts in order to equitably reflect achievement disparities between different student populations

- Annual Cost: $400M (weight TBD)

Recommendation #18

Create New Teacher Compensation Incentive Program

- Background:
  - Teachers are consistently cited as the most important in-school factor in student outcomes
  - Compensation is often cited as the primary reason that top graduates do not pursue a teaching career
  - High need campuses often have more inexperienced teachers as well as higher teacher turnover
- Rationale:
  - Provides additional funding for districts to implement locally developed multi-measure evaluation systems to strategically increase teacher compensation and the placement of effective teachers at high need campuses
  - Recommendation from the Outcomes Working Group
- Annual Cost: $100M (weight TBD)

Create an Extended Year Incentive Program

- Background:
  - Student achievement levels typically drop during the summer months; this is referred to as the summer slide
  - Studies of effective summer instruction programs show that this decline can be eliminated with programs that offer 3-4 hours of instruction for 5-6 weeks

- Rationale:
  - Provides half day funding for districts that offer additional instructional days (181-210) for students in pre-k through 5th grade
  - In addition to improving student outcomes, this program would provide additional compensation to teachers and assist families with childcare in the summer months

- Annual Cost: $50M

ADDITIONAL RECOMMENDATIONS

Recommendation #20

Utilize Remaining Funds from Reallocations to Increase the Basic Allotment

- Background:
  - Set at $5,140 for FY18-19 in the general appropriations act
  - Following an increase of $1,547 in FY10 (from $3,218 to $4,765), the basic allotment has only increased by $375 over the last decade
- Rationale:
  - Allows school districts flexibility to spend additional funds where they most need them
  - Increases equity in the system while also decreasing the amount of recapture owed to the state
- Annual Cost: TBD

Recommendation #21

Link Tier II Copper Penny Yield to a Percentage of the Basic Allotment

- Background:
  - In 2006, HB 1 (79th, 3rd called) established multiple equalized wealth levels in the school finance system
  - Copper pennies ($1.07 – 1.17) were equalized up to $31.95, which in 2006 was the 88th percentile in terms of wealth per student (i.e., 88% of the WADA in the system was equalized)
  - This yield has not been adjusted since 2006, and $31.95 now represents the 47th percentile

- Rationale:
  - Would increase the yield by an initial amount and then index the yield to a percentage of the basic allotment, so that the yield would increase with any increase in the basic allotment
  - This would increase Tier II aid for Chapter 42 districts and reduce recapture for Chapter 41 districts taxing above $1.06

- Annual Cost: TBD

Recommendation #22

Link Tier II Golden Penny Yield to a Set Percentile of Wealth per Student

- Background:
  - HB 1 (79^{th}, 3^{rd} called) established multiple equalized wealth levels in the school finance system
  - Golden pennies ($1.01 – 1.06) were equalized up to the Austin ISD wealth level, which in 2006 was the 95^{th} percentile in terms of wealth per student ($41.22)
  - This yield has not been changed since 2006 and Austin ISD now represents the 99^{th} percentile ($106.28)

- Rationale:
  - Decouples this yield from Austin ISD and sets it at a certain percentile
  - Provides more predictability in the system
  - Removes a variable that is not tied to district or student needs

- Annual Cost: TBD

QUESTIONS?