



Change is Needed: the TASB School Finance Plan

The current school finance system implemented in 2006 was intended as a stop-gap measure. Since then, the legislature has enacted significant new accountability goals and mandates; student enrollment has grown by approximately 400,000 students, and districts' operating costs have increased. The school finance system has not kept pace with districts' needs and has resulted in significant funding gaps among school districts statewide. The Texas Association of School Boards (TASB) proposes a school funding plan that builds upon the legislature's efforts last session to implement a formula-driven school finance system for all Texas school districts.

Benefits of the TASB Plan over the Current School Finance System

The TASB Plan is a single-tier, single-guaranteed yield system that:

- Is easier to understand and explain;
- Replaces the target revenue and two-tiered formula systems;
- Improves "adequacy" by ensuring every district a minimum annual gain in revenue;
- Improves "equity" by allocating greater gains to districts with low property wealth, a low revenue target and/or a high percentage of economically disadvantaged students; and
- Gives school districts discretion over new funds.

Features of the TASB School Finance Plan*

- The TASB Plan replaces the current two-tiered and target revenue systems with a **single-tier system** for calculating districts' maintenance and operations funding. Under the TASB plan, a district's revenue is calculated by multiplying the district's weighted average daily attendance (WADA) times the district's effective M&O tax rate times a single guaranteed yield. A hold harmless, minimum gain guarantee or annual gain limit (as described below) is then applied to help ensure that districts do not lose revenue under the TASB Plan.
- The TASB single-tier system consists of a **guaranteed yield** on every penny (\$.01-\$1.17) of the local M&O property tax rate. The guaranteed yield is set at \$51.50 per student in weighted average daily attendance (WADA) for FY 2011 and increases annually by an amount sufficient to ensure that by the 2016-17 school year, 85 percent of students will be enrolled in districts that are funded through the single tier formula; 15 percent of students will be enrolled in districts that are funded through the hold harmless provision under the TASB Plan.
- Under the TASB Plan, **recapture** occurs on every penny of the district's M&O tax rate (\$.01-\$1.17). And, the equalized wealth level is set at the same threshold as the guaranteed yield. Therefore, under the TASB Plan, in 2011, recapture would begin at the \$51.50 per WADA guaranteed yield. In future years of the Plan, recapture would begin at the higher guaranteed yield.
- Under the TASB Plan, a district's **WADA** is calculated separately from the single tier system. The TASB Plan does not currently propose any changes to weights, adjustments and allotments used to calculate WADA. By

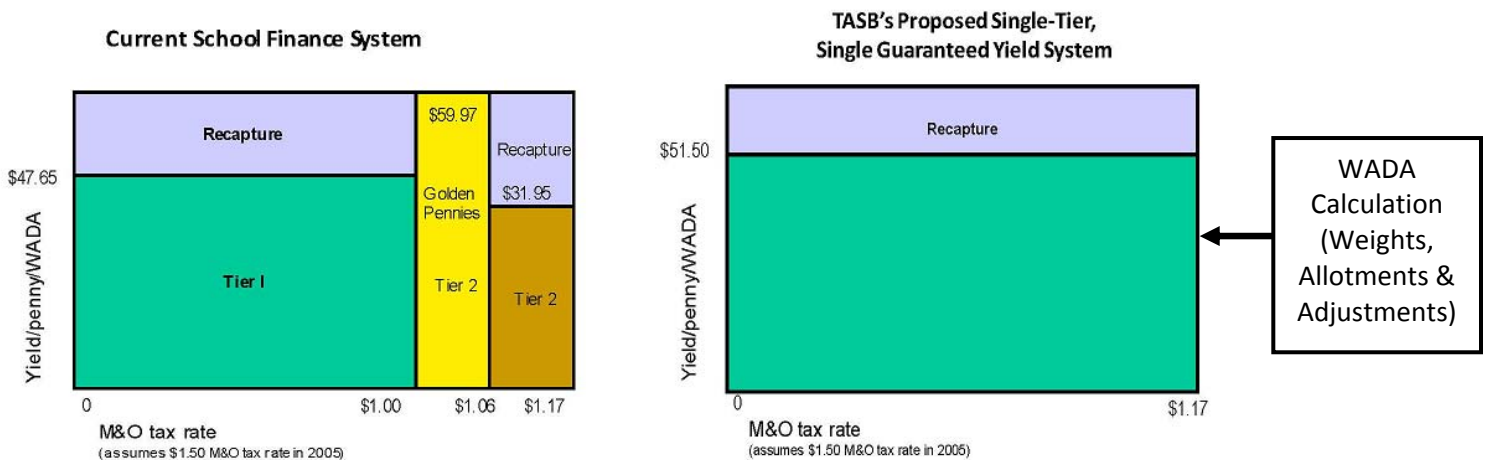
separating the WADA calculation out from the single tier distribution system, the TASB Plan makes it easier to identify and address problems with individual weights, allotments and adjustments and to see the relative impact of such changes on school districts.

- The TASB Plan includes the following provisions to help ensure that school districts gain revenue in future years. Whether these provisions achieve their intended purpose is contingent upon the legislature appropriating sufficient additional state aid to fund them:
 - a **minimum annual gain guarantee** of \$30/WADA for each year of the first biennium, so that districts with property wealth or a target revenue that exceeds the guaranteed yield would receive some additional funding under the TASB Plan;
 - a **“hold harmless”** clause, so that beyond the first biennium, no district would receive less on a per WADA basis than it did during the previous year;
 - an **annual gain limit** of \$200/WADA to contain the cost of the plan.
- The TASB Plan does not change current law requiring voter approval of tax rate increases (above \$1.04) or the truth-in-taxation requirements.

Assumptions underlying the TASB Plan and TASB’s Projections of the Current System

- Incorporates enrollment growth based on current PEIMS enrollment data and TEA projections.
- Assumes no change in district property values over the six years of the plan; reliable data are not available to justify assumptions regarding property value changes.
- Assumes that district tax rates remain fixed at 2009 levels.
- Makes no change in the cost of education index (CEI), district adjustments or program weights.
- Distributes the high school allotment using WADA and assumes the current level of state funding.
- Indexes the guaranteed yield to achieve 85% equity within 6 years rather than to property value increases or inflation.

A Visual Comparison of the Current School Finance System and the TASB Plan



*NOTE: Achieving the guaranteed yield, minimum gain guarantee and the 85% equity goal within six years as proposed by the TASB Plan would require additional state funding of \$1.5 billion (over the cost of the current school finance system) for the 2012-13 biennium. However, the framework proposed in the TASB Plan can be adjusted to available state funding and is simpler and more transparent than the current school finance system.