



Texas School Coalition

Committed to the success of public education for all students in Texas!
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Testimony for the Joint Interim Committee to Study the Public School Finance System

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The Texas School Coalition represents the interests of Chapter 41 school districts and communities. Chapter 41 districts are those that are subject to the equalized wealth provisions in Chapter 41 of the Texas Education Code. These provisions require that districts with a per student wealth level that exceed certain limits contribute a share of their local tax revenue to the State or other school districts.

Over half of the students in Chapter 41 school districts qualify for free and reduced lunch. While some Chapter 41 school districts consist of bedroom communities with high-end homes, predominantly more of our districts can be found among the oil fields, along the gulf coast, and in the shadow of nuclear power plants and major refineries and manufacturing plants. What all of these districts have in common is that Robin Hood has visited their community and required that they contribute local tax dollars—more than \$1 billion per year to the State's General Revenue. This will be the 10th consecutive year when the cost of recapture exceeds \$1 billion.

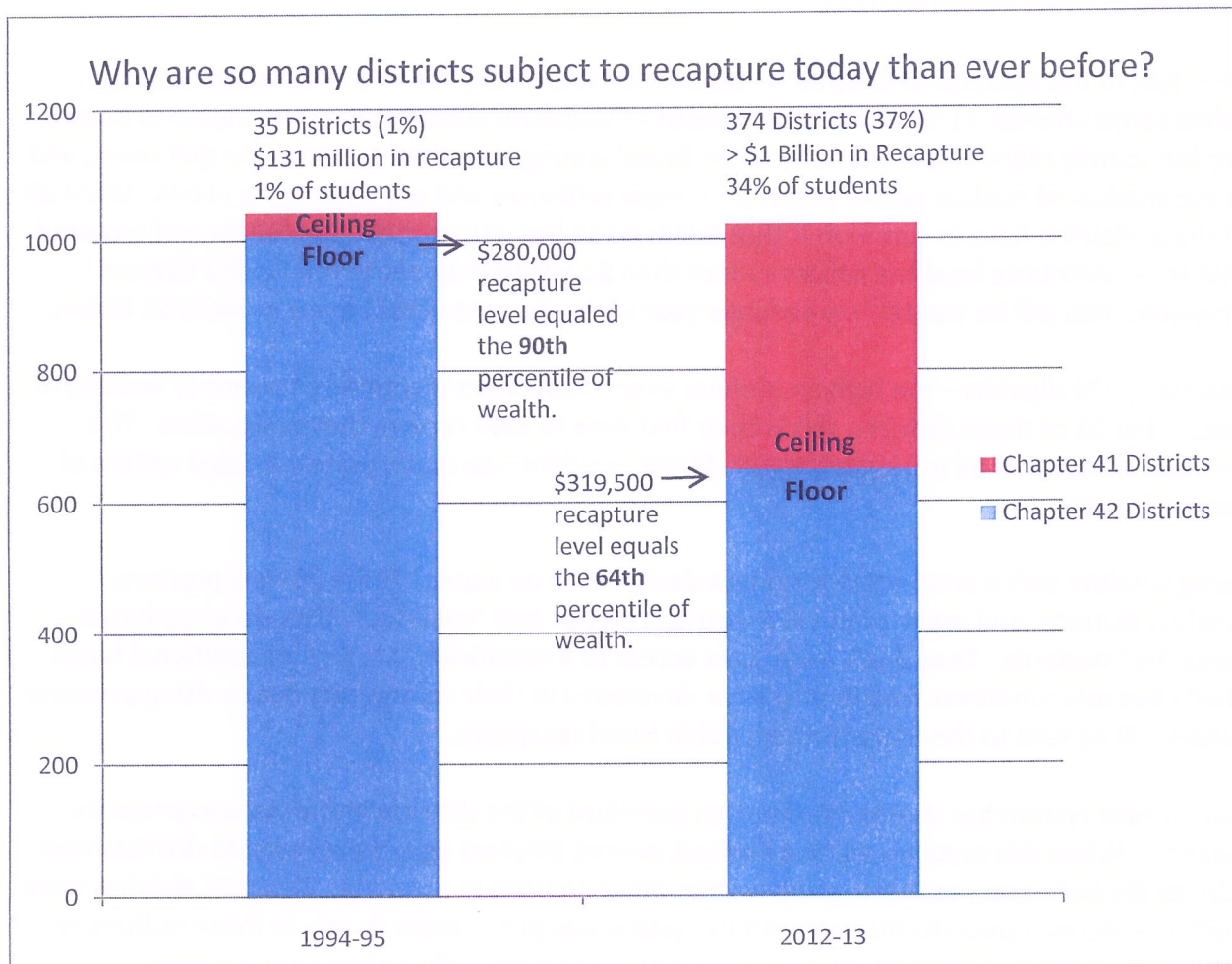
This year, 374 districts—the highest number ever—have been identified as property wealthy in Texas. For 23 of those districts, this is their first time to ever receive that designation. The increase in Robin Hood is a symptom of a larger problem—an inadequately funded system of school finance.

Being wealthy isn't a prize when it's only a designation on paper. These 23 new property wealthy districts, and many of the 374 districts, do not feel "wealthy." They do not educate "wealthy" students. They don't even have access to a meaningful amount of additional funds. That's because whatever wealth may have developed in their community due to rising property values will be sent to the State through Robin Hood recapture.

Our current system has deemed more than one-third of the districts in the state as property wealthy. When this system was first devised, almost 20 years ago, there were 35 districts who admittedly had access to more revenue than other districts in the state. Those 35 districts were outliers—the exception to the rule—and a system was put in place to rein in those outliers so that those districts could not access exceedingly more wealth than their peers.

What started as 35, less than half of one percent of all districts, has now become a list of 374 districts—almost 40% of all districts, which could soon be 500, or more than half the districts in the state. When Robin Hood began, \$131 million was recaptured by the State, compared the more than \$1 billion recaptured today. What began as a system for the outliers representing 1% of students in the state is now a system that includes more than one-third of the state’s 5 million students.

The reason we have so many Chapter 41 districts is that we have lowered the standard of wealth. The original 35 Chapter 41 districts exceeded the 90th percentile of wealth in the state, but now the standard for the 374 districts that qualify under Chapter 41 is the 64th percentile of wealth. Had the State’s investment in education kept pace, and therefore the standard of wealth at the 90th percentile had not been lowered, then only 156 districts would qualify for Chapter 41 status. Instead, there are 218 districts on the list that would not otherwise appear there and be subject to recapture. Two-thirds of the growth in the number of Chapter 41 districts can be attributed to the fact that rather than bringing the floor up, the ceiling is being brought down on the heads of the schoolchildren of Texas.



The fact that a record setting number of districts have been identified under Chapter 41 is a symptom of the fact that our overall system of school finance is broken. Our system is not one where some districts have too much money. It's one where most districts have too little money.

The goal of Robin Hood was to bring the overall system up (while holding a few districts back). However, because the overall system has not been brought up, more and more districts are being held back, and no one is moving up.

State standards are moving up, and class sizes, and the number of students in the system who are more costly to educate, along with the number of Robin Hood districts and the continued erosion of control by the locally elected school boards. But the amount of funding available for schools is certainly not increasing.

When property taxes were reduced by one-third back in 2006, a promise was made to the school children of Texas. Additional State Aid for Tax Reduction (ASATR) was put in place as a promise, that even while taxes were reduced, schools would not see less revenue as a result of that policy decision. However, last year that commitment was the very target of the cuts that were made to schools.

The Legislature established a goal to completely eliminate ASATR by 2017, but this in no way addresses the inadequate funding for schools. Reducing or repealing ASATR without putting another funding mechanism in place to protect the promise made to students that their schools would not receive less money is not the lesson we want to teach our children. It's not the legacy we want to leave for the next generation.

Thank you for your commitment to public education and for your study of a system badly in need of investment and repair.

Chapter 41 School Districts 2012-2013

