JOINT INTERIM COMMITTEE
TO STUDY THE PUBLIC
SCHOOL FINANCE SYSTEM

Report to the 83rd Legislature
December 2012
JOINT INTERIM COMMITTEE TO
STUDY THE PUBLIC SCHOOL FINANCE SYSTEM

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December 2012

The Honorable David Dewhurst
Lieutenant Governor of the State of Texas
P.O. Box 12068
Austin, Texas 78711

The Honorable Joe Straus
Speaker of the House of the State of Texas
P.O. Box 2910
Austin, Texas 78768

Dear Governor Dewhurst and Speaker Straus:

The Joint Interim Committee to Study the Public School Finance System is pleased to submit its final interim report for consideration.

Respectfully submitted,

Flora Shapiro
Senator Florence Shapiro, Co-Chair

Jimmie Don Aycock
Representative Jimmie Don Aycock, Co-Chair

Bob Deuell
Representative Alma Allen

Robert Duncan
Representative Rafael Anchia
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The Joint Interim Committee to Study the Public School Finance System was established by Senate Bill 1 from the 82nd First Called Session. Specifically, SB 1 legislated the following:

SECTION 57.33 (a) The speaker of the House of Representatives and the lieutenant governor shall establish a joint legislative interim committee to conduct a comprehensive study of the public school finance system in this state.
(b) Not later than January 15, 2013, the committee shall make recommendations to the 83rd Legislature regarding changes to the public school finance system.
(c) The committee is dissolved September 1, 2013.
COMMITTEE REPORT

PREAMBLE:

The Joint Interim Committee to Study the Public School Finance system was charged with doing a comprehensive review of the school finance system. In doing so, the Committee held three hearings in which the members heard from invited experts on topics such as the history of school finance in Texas, the current tax and revenue structure, lessons from other states and countries, and alternative options and future considerations. Please find below the findings and overview of the interim hearings held on May 17, September 24, and October 30.

FINDINGS FROM HEARINGS:

MAY 17, 2012
Panel 1: History of School Finance
- David Anderson, General Counsel, Texas Education Agency; Lisa Dawn-Fisher, Chief School Finance Officer, Texas Education Agency
  - Mr. Anderson and Dr. Dawn-Fisher provided a primer on Texas' school finance system, including a historical overview as well as the current state of the public school finance system.
  - Mr. Anderson said the school finance system does three major things: defines weighted average daily attendance, establishes a funding floor based on the Foundation School Program, and establishes a funding ceiling by constraining local revenue in districts with high taxable property value to offset state aid. He continued by explaining each of these aspects of the system.
  - Dr. Dawn-Fisher continued by explaining the Foundation School Program, which she detailed was comprised of four components: Tier 1, Tier 2, Additional State Aide for Tax Reduction (ASATR), and facilities funding.
Link to Video Archive:
http://www.senate.state.tx.us/avarchives/ramav.php?ram=00005554

Link to Written Testimony:
http://www.senate.state.tx.us/75r/senate/commit/c920/handouts12/h051712a.htm

JULY 30, 2012

Panel 1: Education Funding, A Global Perspective
- Andreas Schleicher, Deputy Director for Education and Special Advisor on Education Policy to the OECD's Secretary-General, Organization for Economic and Co-operation and Development
  - Mr. Schleicher presented the Committee with a comparison of how various countries perform across a variety of education variables.
  - Additionally, he highlighted how the United States compared over time to other countries in performance fields such as student outcomes on the PISA test, expenditures per pupil, time on task, and educational output versus cost.

Panel 2: Education Funding in the US; A Broad Look at Education Productivity & Innovation
- Anthony Rolle, Professor and Chair, Department of Educational Leadership & Policy Studies, University of South Florida
  - Dr. Rolle first discussed how revenue for public education is generated, and second, how the revenue is distributed to public school districts in Texas.
  - His presentation also gave an overview of various states' methods of tax collection (i.e. property, income, and/or sales) and means for distribution (i.e. formulas, weights, and/or vouchers) in regards to school finance.
• **Daniel Thatcher**, Senior Education Policy Specialist, National Conference of State Legislatures; **Michael Griffith**, Policy Analyst, Education Commission of the States
  ▪ Mr. Thatcher and Mr. Griffith presented an overview of school finance litigation from across the country over the course of the past two decades.
  ▪ In response to questioning from the Committee, they concluded that school finance litigation is best settled out of court when solutions are reached by both parties with agreed upon legislation.

• **Myk Garn**, Director for Educational Technology, Southern Regional Education Board
  ▪ Dr. Garn addressed the committee about the benefits of virtual and online learning. He provided an overview of current state policies in place that promote virtual learning.
  ▪ He concluded that increasing the role of virtual and digital learning in K-12 education promotes higher levels of productivity within the school system. Moreover, although not necessarily a cost saver, the true benefit of virtual learning was increased educational opportunities for students.

*Link to Video Archive:*
http://www.senate.state.tx.us/avarchives/ramav.php?ram=00005568

*Link to Written Testimony:*
http://www.senate.state.tx.us/75r/senate/commit/c920/handouts12/h073012a.htm

**SEPTEMBER 24, 2012**
Panel 1: Current and Alternative Revenue Sources
• **Jennifer Schiess**, Manager, Public Education Team, Legislative Budget Board
Ms. Schiess provided the Committee with an overview of the Foundation School Program (FSP) in the state budget, specifically the methods of financing the FSP. Those methods include:

- Foundation School Fund – 68%
- Property Tax Relief Fund – 13%
- Available School Fund – 9%
- Texas Lottery Proceeds – 5%
- Appropriated Receipts – 5%

- **Talmadge Heflin**, Director, Center for Fiscal Policy, Texas Public Policy Foundation
  
  Mr. Heflin testified that property tax, the primary revenue source for public school funding:
  
  - Discourages capital investment in residential, commercial, and industrial properties;
  - Creates large economic distortions, or causes individuals and businesses to meaningfully alter their behavior in an attempt to reduce their tax burden;
  - Bears little relation to taxpayers’ ability to pay; and
  - Is costlier and more complicated to administer than other simpler taxes.

- **Dick Lavine**, Senior Fiscal Analyst, Center for Public Policy Priorities
  
  Mr. Lavine presented alternative tax options for the Committee to consider.
  
  He also provided analysis and testimony regarding the burdens of the current tax system.

- **Dale Craymer**, President, Texas Taxpayers and Research Association
  
  Mr. Craymer laid out a series of alternative tax structures for funding public education, but he also presented implications and potential issues for each of the tax options as well.
Additionally, Mr. Craymer provided an in depth analysis on moving to a statewide property tax and the necessary considerations that would entail.

Panel 2: Learning Centered Funding

- **Marguerite Roza**, Research Associate Professor, University of Washington's College of Education, Senior Scholar, Center on Reinventing Public Education
  - Dr. Roza presented the current reality nationally of public school funding as it relates to education reform.
  - She also laid out future design features the state should consider if/when a new finance system is developed:
    - Fund students, and student types;
    - Create transparency, measure productivity;
    - Incent innovation, ensure variation and options; and
    - Augment accountability.

- **Governor Bob Wise**, President, Alliance for Excellent Education, Co-Chair, Digital Learning Council
  - Governor Wise testified about how digital learning and the effective use of technology can help drive better learning for all students in Texas, regardless of their geography or socioeconomic status.
  - He suggested that old policies need to be revised and new ones must be adopted that promote innovation, but also protect taxpayer money and provide real accountability for student learning.

- **Karen Rue**, Superintendent, Northwest Independent School District
  - Dr. Rue discussed the local importance of an appropriate school finance system and the implications a funding structure has on promoting innovation.
  - She continued by outlining the positive, innovative work being done in districts across the state.
Link to Video Archive:
http://www.senate.state.tx.us/avarchives/ramav.php?ram=00005586

Link to Written Testimony:
http://www.senate.state.tx.us/75r/senate/commit/c920/handouts12/h092412a.htm
COMMITTEE RECOMMENDATIONS

1. Continue to monitor the school finance litigation proceedings.

2. Ensure the legislature acts upon the decision of the highest court ruling.

3. Work with all stakeholders in developing sound school finance policy.
LETTERS FROM MEMBERS
December 14, 2012

The Honorable David Dewhurst  
Lieutenant Governor of the State of Texas  
P.O. Box 12068  
Austin, TX 78711

The Honorable Joe Straus  
Speaker of the House of the State of Texas  
P.O. Box 2910  
Austin, TX 78768

Dear Governor Dewhurst and Speaker Straus:

As a member of the Joint Interim Committee To Study The Public School Finance System, I commend Co-Chairs Shapiro and Aycock, the committee members, and their staffs for their efforts to complete this interim report. I am grateful for the in-depth testimony which was provided on this important topic, and feel that the information presented was indeed comprehensive. As such, I have signed the report without hesitation.

I am somewhat disappointed, however, by the lack of solid recommendations to the 83rd Legislature regarding changes to the public school finance system. Members are obviously cognizant of the school finance lawsuits currently underway, and are perhaps hesitant to offer suggestions prior to the court's decision. Nevertheless, I believe we are missing an opportunity to discuss possible solutions that might be supported by the members, rather than simply waiting for a court-ordered mandate. Furthermore, the Legislature is losing institutional knowledge on this topic due to the exit of a number of members that have been intimately involved with these issues over the past decade, including the Chairs of both the House Public Education and Senate Education Committees, as well as the Chair of the House Appropriations Subcommittee that oversees public education funding. I regret that we are not taking advantage of this chance to identify and reinstitute grant fund investments that are known to improve student outcomes, such as full-day Pre-K and the Student Success Initiative. I am appreciative of the Speaker's recent comments in support of restoring some of the public education dollars cut by the Legislature, and his commitment to funding enrollment growth in the future. While it was not a specific recommendation of this committee, I am hopeful that members will address these issues in the upcoming session, and not wait on the court's ruling.
I appreciate your time and consideration. Should you have any questions, please do not hesitate to contact me at 512-463-0631.

Sincerely,

Donna Howard

Representative Donna Howard

cc:

Senator Florence Shapiro, Co-Chair, Joint Interim Committee To Study The Public School Finance System
Representative Jimmie Don Aycock, Co-Chair, Joint Interim Committee To Study The Public School Finance System

Senator Bob Deuell
Senator Robert Duncan
Senator Juan "Chuy" Hinojosa
Senator Jane Nelson
Senator Dan Patrick
Senator Kel Seliger
Senator Carlos Uresti
Senator Leticia Van de Putte
Senator Royce West
Senator Tommy Williams

Representative Alma Allen
Representative Rafael Anchia
Representative Rob Eissler
Representative Ryan Guillen
Representative Dan Huberty
Representative Susan King
Representative Todd Smith
Representative Vicki Truitt
Representative Mike Villarreal
COMMITTEES  
Appropriations  
Public Health  
House Administration  

Susan L. King  
State Representative  
District 71  

COUNTIES  
Taylor & Nolan  

December 18, 2012  

The Honorable Florence Shapiro  
Chair  
Joint Interim Committee to Study  
The Public School Finance System  
P.O. Box 12068  
Austin, TX 78711  

The Honorable Jimmie Don Aycock  
Chair  
Joint Interim Committee to Study  
The Public School Finance System  
P.O. Box 12068  
Austin, TX 78711  

Dear Madam Chair and Mr. Chairman,  

Over the past year it has been my honor to serve as a member of the Joint Interim Committee to Study the Public School Finance System. The committee was charged with the difficult and serious task of providing recommendations and solutions for a school finance system that has undergone numerous court challenges and legislative remedies over the past decade.  

While I offer my signature to this report, it is with regret that the committee did not provide one substantive policy consideration for the 83rd Legislature. The joint committee had the unique opportunity, talent and the resources to offer guidance on the matter through clear and concise recommendations that could have laid the groundwork for definitive legislative and public policy action.  

However, despite no clear way forward offered by the report, the committee was successful in its endeavor to study and identify a wide array of potential reforms to the school finance system through expert testimony and comparative analysis that will indeed contribute to any future and decisive policies developed in response to the outcome of the current court challenge. Please attach and include this letter in the final report issued by the committee. I extend my gratitude to the members and staff of the committee for their efforts and dedication and to Speaker Straus for allowing me to serve in this capacity during this interim and time of challenge.  

Sincerely,  

Susan L. King  
State Representative  
House District 71  

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Honorable Florence Shapiro, Co-Chair
Honorable Jimmie Don Aycock, Co-Chair
Joint Interim Committee to Study the Public School Finance System
P.O. Box 12068
Austin, TX 78711

Dec. 18, 2012

Dear Sen. Shapiro and Rep. Aycock,

I want to thank both of you for your work in facilitating the interim hearings to study the system of funding public schools in our state. However, due to major differences in the conclusions I have come to, and the recommendations made in the report, I cannot in good faith lend my signature to the report.

Over the last two years I have heard from parents, teachers, administrators, and students about their dissatisfaction with the current system of funding our public schools. Complaints range from the unfairness of the so-called Robin Hood system of redistributing revenues to the absence of art, music, or remedial programs.

What I am not hearing is praise for the Legislature for having the courage to tackle the school finance problem once and for all.

The Texas constitution states in Article 7, Section 1 that "it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools." No matter how or when the courts rule on the current system, it has been apparent for the last few years that the system is failing in the court of public opinion.

The Legislature should fulfill its constitutional obligation and develop a system that is efficient, equitable, and funded at a level that ensures not only the success of our students, but also the future success of our State. I believe it should take the opportunity to do so now and not wait for a court order for us to act.

Thank you again for your work on this issue during the interim. Texas can do better, and I look forward to working with you to address the shortcomings in our public school finance system.

Sincerely,

CARLOS I. URESTI

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