



Governor Perry’s School Finance Incentive Proposals

The school finance proposal recently released by Governor Perry calls for \$500 million dollars in “new money” for Texas schools. Governor Perry’s plan proposes half of this money be provided to schools up front based on the performance of students in the 2003-04 school year, with the remainder to be distributed to schools that meet proposed incentive standards based on 2004-05 performance. The incentive money would flow directly into campuses to be used at the discretion of campus leadership.

In addition to new incentives, the plan calls for the Texas Education Agency (TEA) to implement a new financial accountability system for school districts and aims to make property tax cuts permanent through strict limits on appraisal districts.

Highlights of the plan include:

Incentives

Incentive	Description	Amount
High School Advancement	Provides funds per student for each year they advance in high school and pass the TAKS	\$100 9 th to 10 th \$200 10 th to 11 th \$300 11 th to 12 th
Commended Performance	Provides funds per student for achievement of commended performance on the TAKS	\$100/student \$200/at-risk
Distinguished Achievement	Provides funds per student completing the Distinguished Achievement program	\$1,000/student \$2,000/at-risk
Algebra	Provides funds per student passing the Algebra I end-of-course exam	\$100/student \$200/at-risk
LEP Student Success	Provides funds per limited English proficiency (LEP) student who passes the TAKS; additional funds per LEP student who achieves commended performance on all sections of the TAKS	\$100/student + \$100/student for commended performance
Teacher Excellence	Provides matching funds per qualifying teacher in conjunction with a district-initiated teaching excellence program	\$2,500/teacher + \$2,500 in district matching funds
	Effective teachers eligible to receive additional stipend if they teach in a qualifying struggling school	\$5,000/teacher stipend

Our analysis indicates that these incentives rely more on past performance rather than increases in future performance. For instance, for two school districts with equal enrollment yet different achievement rates, if School A has a promotion rate of 81% and School B has a promotion rate of 92%, and School A improves to 85% and School B does not improve – School B would still receive more incentive money.

Likewise, our analysis shows that if recent achievement data is used to calculate incentive payments under the High School Advancement, Commended Performance, and Distinguished Achievement Program incentives, larger incentive payments will be made



to campuses in predominantly high tax wealth school districts with very few at-risk or economically disadvantaged students.

For the High School Advancement incentive program, the 20% of school districts in the state that represent the smallest percentage of poor students would receive 22%, or \$30,873,900 of the total allotted funds for that program. The 20% of school districts in the state that represent the highest percentage of poor students would receive only 14.2%, or \$19,893,800 of the total allotted funds for that program.

High School Advancement Incentive Program			
		Projected H.S. Advancement Incentive Payments	
Pupil-Weighted Poverty Quintiles	Average Promotion Rate	Dollar Amounts	Percent of Total
Lowest	95.5%	\$30,873,900	22.0%
2nd	94.5%	\$28,074,300	20.0%
3rd	94.1%	\$32,233,200	23.0%
4th	92.9%	\$29,247,000	20.8%
Highest	89.5%	\$19,893,800	14.2%
Total	93.8%	\$140,322,200	100%

Truth in Spending

Calls for TEA to implement a new financial accountability system that will rate school districts on:

- Properly defined and appropriate administrative costs
- High percentages of funding going directly to the classroom
- Tax burden compared to similarly situated districts
- Appropriate fraud protection
- Strong correlation between district expenditures and student performance
- Effective personnel management practices
- Transparency in financial reporting

Property Tax Cuts

Governor Perry's proposal calls for the following items:

- A cap on property appraisal increases lowered from 10 percent to 3 percent
- Property tax revenue to local entities limited to previous year's revenue plus inflation and population growth
- Mandatory sales price disclosure for real property
- Appraisal district boards of five elected officials, including the board president of the largest school district in that county

For more information and updates on proposed school finance reform legislation, visit www.investintexaschools.org.