



Coalition to INVEST IN TEXAS SCHOOLS

Texas Schools – A Closer Look

Over the years, Texas has continuously raised its expectations for students and schools, and the results are clear: Student learning has improved steadily for all student groups, in all subjects, at all grade levels for the past decade.

A Brief History of School Funding in Texas

For the past half-century, Texas public schools have been funded chiefly by both the state and local school districts. The current mechanisms for funding schools were developed in 1949, during the 50th session of the Texas Legislature – multiple changes have been made since then.

School Funding Timeline

Gilmer-Aikin Act (1949)	Reorganized state education administration, establishing the "Minimum Foundation Program," a funding system that provided revenue for education from both state and local sources.
Edgewood v. Kirby (1989)	A lawsuit brought in 1984 by group of low-wealth school districts was taken to the Texas Supreme Court. The Court ruled the finance system unconstitutional due to Texas' use of property taxes to fund education, resulting in substantial inequity among school districts. This precipitated a series of important changes in the law.
Senate Bill 1(1990)	Provided more money for equalization but did not meet the standards of the Supreme Court.
House Bill 351 (1991)	Created 188 County Education districts, allowing the levying of state mandated property taxes in each county and redistribution of the revenues to member school districts. The Texas Supreme Court struck HB 351 down, as it violated the state constitution (which prohibits state property taxes) and never put the levy up for public approval.
Senate Bill 7 (1993)	Created a provision-known as "recapture" that redistributed property tax Dollars from high-wealth school districts back to the state general fund to create equity. The system is in place in 2004-05 and is referred to as the "Robin Hood" system.
West Orange-Cove CISD v. Neeley, et. al. (2004)	More than 300 plaintiff and plaintiff intervener school districts argued that, because they must levy the maximum property tax rate to maintain equity, the local property tax has become equivalent to a state ad valorem tax, which is prohibited by the Texas Constitution. In September, the trial court upheld the plaintiffs' claims. It also ruled that the school funding system is inadequately funded, in violation of the Constitution.

The Current Texas School Funding System

Funding for Texas schools is derived from **local funds**, **state funds** and **federal funds**. During the 2002-03 school year, about 49 percent of school funds came from local sources, 41 percent from state funds, and 10 percent from federal sources.

Consider only state and local funding: In 1945, the state's share for funding of public schools was at 55 percent. In 2004, the state share was 38 percent. It is expected to go lower in 2005.

Local Funds

- Property taxes account for more than 95 percent of local revenue sources.
- Each school district adopts two tax rates each year: a "maintenance and operations" tax rate and a debt service or "interest and sinking fund" tax rate, which is only levied when a district has debt, typically for the renovation of existing or the construction of new buildings or schools.

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- Under current Texas law, maintenance and operations taxes may not exceed \$1.50 per \$100 of taxable value, while debt service taxes cannot exceed \$0.50 per \$100 of taxable value.

State Funds

Each biennium, the state contributes funds to the education finance system. Public education appropriated state funds for 2004 – 2005 are comprised of the following:

Foundation School Fund	Composed of a variety of state taxes and fees including sales and franchise taxes	\$15.76 billion
Available School Fund	State Textbook Fund	\$348 million
Interest from the Permanent School Fund and 1/4 of the Motor Fuels Tax		\$2.65 billion
Lottery proceeds dedicated to education	<i>(estimated)</i>	\$1.586 billion
General Revenue and Other Funds	Retirement contributions for public education employees	\$4.15 billion
Appropriated Receipts, Attendance Credits (estimated)	Funds recaptured from school districts with property value per pupil above the statutory maximum	\$2.14 billion
Telecommunications Infrastructure Fund (TIF)	To be used to support the FSP Technology Allotment	\$242 million
General Revenue	Funds and Fees, GED fees, assistance for needy families, etc.	\$373 million

Source. HB 1, General Appropriations Act. Article III, Education, May 30, 2003. This data originally published by the Texas Association of School Boards, used with permission.

Federal Funds

- Generally, federal funds are appropriated for special programs or to provide services to a specific group of students. Because they are specifically earmarked for these programs, they cannot be used to replace state or local dollars to fund a program.
- Approximately half of these funds go directly to school districts, while the remainder goes to state or education service centers, which fund programs and services offered through local school districts.

Current Public Education Climate

Educational Issues Facing Texas Schools

- Changing demographics and student needs
- Rapid growth
- Safety and security concerns
- More testing – new, more rigorous state assessments
- New accountability system
- New requirements for high school graduation – Recommended High School Program (RHSP)
- No Child Left Behind Act of 2001

New Concerns of Texas Schools (since 78th Session of the Legislature)

- Nutrition mandates
- Payroll taxes
- Individual graduation plans
- Almost \$1B in student program cuts such as:
 - Optional extended year
 - Master reading and math teachers
 - Disciplinary placements
 - Guidance counselors for bilingual students
 - Technology infrastructure (TIF)

Some Facts about Texas

- With regard to growth, Texas ranks second in all the states with a 22.8 percent population change from 1990 – 2000 (*Steve Murdock, Texas Demographer*)
- By 2030, population of young Texans will increase from the current 5.9 M to 10.8 M (*Charles A. Dana Center*)
- Texas ranks 45th out of 50 states for percent of high school graduates in the population 25 years of age or older (*Steve Murdock, Texas Demographer*)
- Texas public schools educate 4.2 million students and is growing at a rate of 75,000 new students per year (about the size of Ft. Worth ISD)
- RAND predictors of student success – Texas ranks 42 out of 47 states
- Texas students lacking English fluency increased 48 percent in 10 years (*Texas Education Agency*)

By 2040:

- Anglo enrollment in elementary and secondary schools will decline from 43 percent to 19.9 percent
 - Hispanic enrollment will increase from 39.5 percent to 66.3 percent
 - Black enrollment will decrease from 14.4 percent to 8.3 percent
- Source: Steve Murdock, State Demographer*

Projected Change in Special Program Enrollment in Texas (2000-2040)

- Special education +64.7 percent
 - Economically disadvantaged +119.9 percent
 - Limited English proficiency (LEP) +188.1 percent
 - Bilingual/ESL + 186.8 percent
 - Gifted and Talented + 48.5 percent
 - Immigrants + 183 percent
 - Title I + 101.9 percent
 - Career and Technology Education + 69.9 percent
- Source: Steve Murdock, State Demographer*

Capacity

- 494 districts (39 percent) with tax rate of \$1.50+ (represents 46.4 percent of total students)
 - Almost 700 districts (70 percent) with tax rate of \$1.45+
- Source: Comptroller's property tax study, 2004*

Equity

- Chapter 41 districts – 133 school districts (12% of total); 480,000 ADA
- Chapter 42 districts – 898 school districts (88% of total); 4,100,000 ADA

Texas' Educational Successes

By raising the bar, Texas demonstrates its commitment to truly prepare our children for the challenges that lie ahead.

NAEP – Math, Reading & Writing Exam

- Each major student group in Texas schools scored seventh or higher among their peers around the country on the fourth-grade National Assessment of Educational Progress (NAEP) math exam.
- All of Texas' major student groups outperformed similar groups across the United States on the fourth and eight-grade NAEP reading exam. Texas students also scored higher than students nationwide on the fourth grade writing exam.

TAKS

- Most Texas third-grade students met a new academic requirement, with 91 percent passing the new Texas Assessment of Knowledge and Skills (TAKS) reading exam
- Students in third through 11th grades exceeded expectations on virtually every subject area test given during the first TAKS assessment

Advanced Placements

- More than 90,000 students took AP exams in the 2002-03 school year, representing a 13.3 percent increase in participation over the prior year and a 106 percent increase in the number of candidates since 1998

- This record participation is possible because a growing number of Texas schools offer AP classes for student hoping to earn college credit

SAT/ACT

- SAT scores and the number of Texas graduating seniors taking this college admissions test both increased in 2003
- Fifty-seven percent of Texas graduating seniors took the SAT, compared to 48 percent nationally
- The number of Hispanic and African-American students who took the SAT increased 50 percent over the past decade
- The strong increase in students test is a sign that more and more Texas graduates are considering higher education

Adequate Yearly Progress and Blue Ribbon Schools

- In 2003, more than three quarters of the states' school districts met the Adequate Yearly Progress (AYP) goals created by through the No Child Left Behind law
- Eighteen school campuses are nominees for the prestigious U.S. Department of Education's No Child Left Behind Blue Ribbon Schools Program

Texas public schools breathe life into thousands of communities across our great state every day- one child at a time. While Texas has certainly come a long way, the recent and upcoming changes in public education and school finance will set the tone for years to come.

To stay updated on news and information regarding proposed school finance reform legislation, visit www.investintexasschools.org.