

School Finance Update

The House passed [HB 21 by Rep. Huberty](#) on Thursday, April 20th, with a vote of 132-15. After four hours of debate the night before, which ultimately [added 15 amendments to the bill](#), this legislation would add an estimated \$1.8 billion to the Foundation School Program (FSP) beyond what current law would provide for the 2017-18 and 2018-19 school years. HB 21 coupled with the Austin Yield increase would flow an additional \$3.3 billion to the FSP next biennium.

HB 21 amounts to an average statewide increase in funding of \$141/WADA for the 2017-18 school year. However, when taking into account the Austin Yield increase next biennium in Current Law and the changes made to the finance system in HB 21, the average statewide increase in funding would be an estimated \$249/WADA for the 2017-18 school year.

Current Law Funding and Local Value Growth

Current law funding for the 2017-18 and 2018-19 school years, as adopted in both the House and Senate versions of the state budget, includes funding for enrollment growth (an additional cost of \$2.7 billion) and an increase of the Austin Yield to \$99.85 (2018) and \$106.37 (2019)—a cost of \$1.5 billion for the biennium.

Even with funding for enrollment growth and the increased Austin Yield, the state general revenue level for the FSP when compared to last biennium is down an estimated \$1.4 billion without HB 21 or other similar legislation.

House Bill 21 Funding and Mechanics

While the bill will add additional funding to the system through an increase to the basic allotment, the method of finance for this increase is twofold: eliminate an estimated \$1.7 billion in specific program funding (transportation and high school allotment being the largest) and delay the FSP payment from August to September, which will allow the state to save an estimated \$1.875 billion next biennium.

By eliminating certain programs and freeing-up general revenue through the payment delay, HB 21 is able to increase the basic allotment from \$5,140 to \$5,350 and add additional funding to several other programs (a new dyslexia weight, expansion of CTE courses, and an increased bilingual weight).

Some of the main elements of HB 21 by Huberty as adopted by the House include:

- Eliminates the transportation allotment (approximately \$680 million for the biennium)
- Eliminates the high school allotment (approximately \$750 million for the biennium)
- Eliminates the staff salary allotment (approximately \$273 million for the biennium)
- Eliminates the Chapter 41 1992-93 revenue level hold harmless (approximately \$53 million for the biennium)
- Establishes a new weight of 0.10 multiplied by the adjusted allotment for students with dyslexia or related disorders
- Increases the bilingual weight from 0.10 to 0.11
- Includes "technology applications" courses and eight grade CTE courses in those eligible for the CTE weight
- Establishes a financial hardship transition program of \$125 million in 2017-18 and \$34 million in 2018-19 to offset losses from features of the bill or the end of ASATR
- Begins a six year phase-in that would eliminate the distinction in the small school district adjustment within the Foundation School Program
- Intends to increase the Basic Allotment from \$5,140 to \$5,350 in the appropriations bill

Amendments of Note

There were several amendments of note during the House floor debate. The most significant was by Rep. Darby relating to the small schools adjustment (86-59 vote). This amendment would reduce the hardship grant in the second year of the biennium from \$75 million to \$34 million. The \$41 million reduction to the hardship grant will be used to begin a six year phase-in that would eliminate the distinction in the small school district adjustment within the FSP.

One of the last amendments discussed by Rep. Isaac, while not adopted, gave some insight to what will most likely be the floor debate on HB 22 by Huberty (accountability and assessment) next week. This amendment would have reduced the number of tests and upended the accountability system currently in place--Rep. Isaac appeared to have over 100 votes on his side.

What is Next?

The Senate has heard numerous school finance bills, including Sen. Taylor's SB 2145. This bill's approach is markedly different than the House's approach. It creates a single tier system, which could create a more equalized and equitable system than HB 21. There is not contingency funding in the Senate's version of the state budget for this bill or any other school finance legislation. This bill is still pending in committee.

The question that will need to be answered in the budget conference committee is how much is the increase to public education, if any, and what is the method of finance that will be used for any or all of the funding increases.

As of now, the House and Senate have different approaches. Both use the FSP payment delay to fill in budget holes, but the House uses \$2.5 billion from the Rainy Day Fund and the Senate delays a \$2.5 billion sales tax transfer to the Highway Fund that may or may not be constitutional. There is a

stand-off related to these items that may not be resolved until the last week of the session. It is possible to use a combination of these two funding mechanisms without HB 21 or something similar and still potentially increase the basic allotment and extend ASATR.

Without HB 21 or something similar, however, the increase to the basic allotment will not be as significant. By eliminating transportation funding and the other elements from the system, the House was able to free-up the additional sources of revenue.

There are 39 days remaining in the 85th Legislative Session.