



Issue: Adjustments and Weights in the Texas School Finance System

Background:

Prior to 2006, all Texas school districts received state funding through a complex set of formulas. In 2006, House Bill 1 (3rd Called Special Session, 79th Session) changed the way districts were funded by creating a target revenue system whereby districts' state revenue was frozen at the district's actual 2005-06 revenue or estimated 2006-07 revenue (if prior law was in effect). Recognizing the funding inequities resulting from the target revenue system, the Legislature took an incremental step towards returning Texas to a formula-driven school finance system through HB 3646 (81st Session). As a result of that legislation, approximately 300 districts now receive funding based on the school finance formulas; however, most Texas districts receive funding based on the target revenue system.

Weights and Allotments:

The starting point in determining a district's funding using the formulas is the "basic allotment," which is a per-student allocation set in law. The "basic allotment," is the amount of state and local funding a district receives to cover the costs of providing a basic instructional program to an "average" student in an "average" district. The State, understanding that there are very few "average" students or districts, has sought to create equity in its school finance system by modifying the basic allotment using adjustments and weights. Adjustments and weights drive additional funding to districts (above the basic allotment) in an attempt to help cover costs arising from district or student characteristics. As a result of HB 3646, the Texas Legislature is required to study the adequacy and equity of the current system of allotments and weights during the 2009-10 legislative interim, with the goal of making any necessary adjustments during the 82nd legislative session.

Adjustments drive additional money to school districts based on district characteristics that typically result in diseconomies of scale and, thus, higher costs for educating students. Adjustments are multipliers of the basic allotment. The value of each adjustment is set by the Legislature. If a district qualifies for an adjustment, the basic allotment is multiplied by the qualifying adjustments to arrive at an adjusted basic allotment (ABA) per student.

Table 1 lists the most common adjustments in the FSP.

Table 1. Adjustments Based on District Characteristics		
<u>Program</u>	<u>Description</u>	<u>Citation</u>
Small District	Adjustment for diseconomies of scale for districts with Average Daily Attendance (ADA) < 1,600 in regular programs.	TEC §42.103
Mid-size District	Adjustment for diseconomies of scale for districts with ADA = 1,600 but ≤ 5,000 in regular programs.	TEC §42.103
Sparsity	Adjustment for districts with low enrollment and geographic area > 300 square miles	TEC §42.105
Cost of Education	Adjustment primarily based on teacher salaries, district size, and percentage of low-income students.	TEC §42.102
Transportation	Adjustment based on “linear density groupings” or the number of riders and bus route miles in a district. Chapter 41 districts do not receive credit for this program.	TEC §42.155
Rapid Property Value Decline	Adjustment based on a property value decline of > 4 percent, if surplus funds are available.	TEC §42.2521
All Grade levels not Offered	Adjusts property value for determining state aid or recapture for a district contracting with another district to educate the first district’s resident students.	TEC §42.106

The ABA may then be weighted to drive additional money to the district to cover the extra costs of instructing certain groups of students identified as requiring additional or specialized instruction. The law applies differing weights for students in special education programs, depending on the student’s placement, with students in more restrictive placements receiving a higher funding weight.

To determine the amount of weighted funding a districts receives, the ABA is typically multiplied by the number of students in average daily attendance in a particular weighted program, and then by the program weight.¹

¹However, for students in Career and Technical or mainstreamed special education programs, weights are calculated using full-time equivalent student counts, rather than the number of students in attendance in those programs.

Table 2 lists the most common weights in used in Texas’ school finance formulas.

Table 2. Weights Given Based on Student Characteristics				
<u>Program</u>	<u>Description</u>		<u>Weight</u>	<u>Citation</u>
Special Education	Funding for Students with learning disabilities based on the student placement		Var.	TEC §42.151
		Mainstream	1.1	
		Home Bound	5.0	
		Hospital Class	3.0	
		Speech Therapy	5.0	
		Resource Room	3.0	
		Self contained, mild & moderate, regular campus	3.0	
		Self contained, severe, regular campus	3.0	
		Off home campus	2.7	
		Nonpublic day school	1.7	
		Vocational adjustment class	2.3	
Compensatory Education	Additional funding for low-performing students as determined through the federal free and reduced-price lunch program		0.2 or 2.41 for pregnant students	TEC §42.152
Bilingual Ed.	Additional funding to non-native English speakers		0.10	TEC §42.153
CTE	Additional funding based on career and vocational skills enrollment in grades 7-12.		1.35	TEC §42.154
Gifted/Talented Education	Additional funding for programs and services for gifted and talented students.		0.12	TEC §42.156
Public Education Grants	Additional funding for a student to attend school outside of home district, if assigned campus had a low passing rate on state achievement tests.		0.10	TEC §42.157

Discussion Points with Legislators:

As legislators begin to evaluate the current system of allotments and weights, school board members should communicate answers to the following questions:

- Is your district funded through the formulas or through the target revenue system?
- Do the current allotments reflect the cost differences among school districts? If not, seek data to illustrate why not.
- Based on your district’s actual costs for educating students in each weighted program, is the weight overstated, understated or correctly factored?
- Would my district benefit more from updating the allotments and weights, or by eliminating some/all the weights and allocating that additional funding to on an ADA basis?
- Are the allotments and weights an unnecessary complication to a school finance system that should be simplified? If so, how would you suggest simplifying the current system?

This information will help legislators understand whether the current system of allotments and weights is capturing the true costs of educating students in Texas school districts.