



CSHB 1525 Threatens Funding for Public Schools

May 2021

House Bill 1525 is billed as the “clean up” measure that addresses unintended consequences of school finance reforms passed in 2019. However, the Senate version of HB 1525 goes much further and could lead to funding reductions for many school districts. It would also severely limit districts’ ability to use federal education funds as intended.

CSHB 1525 threatens funding cuts by limiting Formula Transition Grants (FTG)

- This grant protects funding for districts that would have seen a reduction due to changes in law made by 2019 school finance reforms.
- CSHB 1525 caps the total cost of FTG at \$400 million.
- Due to property value growth, FTGs have already severely outpaced their projected cost from 2019.
- School districts’ need for FTG could exceed the \$400 million cap (and has in the past), leaving districts short on funding needed to pay for state-mandated teacher pay raises and other costs.
- Neither TEA nor school districts will know whether FTGs will exceed their cap until settle-up, when it is too late to make budget changes in response.
- Capping FTG breaks the Legislature’s 2019 promise to protect school districts from funding cuts caused by formula changes. If CSHB 1525 passes, that protection will no longer be in place.

CSHB 1525 gives the Commissioner of Education authority to reduce districts’ funding

- The legislation says the Commissioner can reduce a district’s entitlement, which is the amount of state and local per-student revenue to which a school district is entitled by law to have, in order to comply with requirements for spending federal COVID relief dollars.
- If the Legislature and Commissioner do not intend to reduce districts’ funding, there is no reason to specifically give the Commissioner this authority.
- Congress intended those federal relief dollars to be spent in addition to — and not in place of — the resources school districts would otherwise be spending.

CSHB 1525 forces districts to sit on resources for three years, despite immediate need

- CSHB 1525 says districts must stockpile a portion of state and local revenue that may not be used until 2024-25, forcing districts to supplant local funding with federal COVID relief dollars.
- Given the challenges of the past year, there is an urgent need to help students get back on track. Dollars are needed in addition to state and local funding—not instead of.
- Legislative leaders have claimed they would not supplant funding, but this plan supplants funding.
- School districts have already been told what amount to expect and are planning to use those dollars to meet student needs; they are not anticipating a state requirement to place a large sum into a fund balance at the same time, which will have the same impact as a funding cut.
- State leaders say this allows districts to use the funding over a longer period of time, but such action is already permitted under federal law if the local district chooses to do so — no state requirement is needed or desired.
- Sitting on the money will require districts that do not receive state funding to collect some tax dollars from their community for the sole purpose of building up reserves that may not be used for three years.
- Legislators often criticize school districts for having healthy fund balances. This provision would make those fund balances even larger — feeding the cynicism of those who say the state should not invest in schools that already have sizable fund balances.