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## **Report of the Intercultural Development Research Association Related to the Extent of Equity in the Texas School Finance System and Its Impact on Selected Student Related Issues**

**Prepared for the Mexican American Legal Defense and Educational Fund, August 2012**

### **Summary of Findings**

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Based on IDRA's most recent analysis of data on school district revenues, we found that the Texas system of school finance is still inequitable, inadequate, arbitrary and inefficient.

- Re-introduction of unequalized funding has expanded funding disparities between wealthy and poor school districts.
  - The gap between the poorest and wealthiest decile of Texas school districts in 2010 was \$1,477 per WADA at adopted tax rates, a difference of 27 percent.
  - If all school districts taxed at the maximum rate of \$1.17, the revenue gap per WADA between the poorest and wealthiest decile of Texas school districts would be \$1,806, a 31 percent difference.
  - The \$1,806 revenue per WADA gap translates to a total disparity of \$36,120 in a classroom of 20 students, a gap of \$1,083,600 in an average school of 30 classrooms, and a gap of \$1,060,000 for every 1,000 students in districts with comparable property wealth disparities per WADA.
- Comparison of district yields (at yields per penny at adopted tax rates and at maximum \$1.17 tax rates) indicate that the tax efforts necessary to generate specific levels of revenue are notably higher in low and average property wealth school districts compared to the tax efforts necessary in high wealth school districts.

The revenue inequities revealed in these analyses do not reflect additional disparities in funding that may exist and can be attributed to program-related non-construction supports that are purchased using districts' I&S revenue, including such items as computers, other technology and similar materials that have a life span in excess of one year.

- Official equity formulas are overridden more than three quarters of the time, with 77 percent of school districts being funded in 2010 on the basis of unequalized target revenue, rather than equalized formulae.
  - Target revenue and not formulae funding was the basis of funding for almost nine out of 10 Texas students.
  - Target revenue has little rational connection to tax effort or total revenue per student generated by that effort.
- Texas' wealthiest and poorest school districts have vastly different racial and ethnic concentrations. Low-income and minority students in Texas are more likely to be in under-

resourced schools with limited access to quality teaching and curriculum.

- Simple attrition rates vary dramatically when comparing the lowest property wealth (31.02 percent) versus the highest property wealth (14.39 percent) grouping of districts in Texas.
- The state's failure to provide more than token funding for school facilities has exacerbated the inequities in school funding.
- Lack of equitable and sufficient funding for special programs has been a continuing problem in Texas for decades.
  - Research presented in the *West Orange-Cove* school finance case indicate that compensatory education costs in Texas average about 40 percent of a school district's regular program costs as do ELL education costs.
  - Since the adoption of the 10 percent add-on weights for bilingual and ESL programs and the 20 percent add-on weight for state compensatory education programs in 1984, no change in those original weights has been adopted.
  - The higher the property wealth of school districts the lower the tax rate needed to generate the extra weighted student revenue – with tax increase efforts ranging from a high of 95¢ per \$100 of property value in the lowest decile of districts, to a low of 3¢ in the highest property wealth per adjusted WADA wealth grouping.
- While all school districts suffered from special program cuts, the state's lowest property wealth districts experienced on average larger cuts per student at \$253 per student and accounted for 13 percent of special program cuts suffered by all public school districts.

## **Brief Bio: Albert Cortez, Ph.D., IDRA Director of Policy**

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Dr. Albert Cortez is a nationally recognized expert in school finance, English language learners (ELLs), recent immigrant students and student assessment. Since 1975, his continuous work in these areas provides him with an extraordinary command of the issues and solutions. He joined IDRA in 1975 and has served in various capacities ranging from trainer, evaluator, program director, research and evaluation division director, and as the organization's policy director. For over three decades, Dr. Cortez has stood for children's rights, as an expert witness in landmark cases, such as *Alien Education Litigation*, *Edgewood vs. Kirby I*; *Edgewood vs. Kirby II*; *Edgewood vs. Kirby III*; *Edgewood vs. Kirby IV* and *Edgewood V*, and before select education committees, including those of the Texas Senate and Texas House of Representatives, and a U.S. Senate Education and Labor subcommittee hearing on public school finance. He also was an expert witness in the *West Orange-Cove vs. Neeley* case in 2005.

Dr. Cortez has provided invaluable guidance and counsel through key appointments serving as state legislative chairperson for the Texas Association for Bilingual Education (1982-1983); the Mayor's Commission on Children and Families (1985-1986); member of the advisory committee for the Texas Accountable Cost of Education Study; chair of the Texas Advisory Group on Assessment of Limited-English-Proficient Pupils for the Texas Education Agency (1993, 1994, 1995); member of the Senate Advisory Committee to the Texas Senate Interim Committee on Funding (1997); and member of the Governor's Advisory Committee on the Development of Adult Education Accountability System (1998).

For more than three decades, Dr. Cortez has also served as a technical advisor and resource authority of legislative action, advising such committees as the Texas Mexican American Legislative Caucus and the Senate Hispanic Caucus. Dr. Cortez advised members of both the

Texas House of Representatives and the Texas Senate in the formulation of the state's *Bilingual Education Act* in 1981 and has been extensively involved in the development of school finance reform, dropout prevention, immigrant education, student discipline, state assessment and expanding higher education access policies dating back to 1977.

Dr. Cortez received a doctorate in cultural foundations of education with a support area in educational administration, and his master's degree in cultural foundations of education from the University of Texas at Austin. He earned his bachelor's degree in sociology with a concentration in bilingual education from Our Lady of the Lake University. He has published extensively, contributing to the knowledge base in his areas of expertise.

He was not provided any compensation for conducting the research, other than regular salary provided by his employment at IDRA. Additional qualifications for Dr. Cortez are provided in the attachments.

## **Historical Overview of the Texas School Finance System**

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Since its inception, the Intercultural Development Research Association (hereafter referred to as IDRA) has studied the status and evolution of the system used by the state of Texas to determine funding for its public schools. In his book on the subject, *Texas School Finance Reform – An IDRA Perspective*, IDRA founder Dr. José A. Cárdenas traces the evolution of the modern Texas system of school finance back to its origins with the adoption of the *Gilmer Akins Act of 1949* (Cárdenas, 1997).

Starting with that legislation, the state elected to fund public schools using a *foundation* type approach wherein the state established some level of support it deemed necessary to provide a basic or minimal level of public education for its children. This Foundation School Program was then constructed by the creation of various funding mechanisms to deliver set levels of financial resources to local school districts. According to Billy Walker and William Kirby (1986), the *Gilmer-Aiken* plan's primary mechanism for delivering state aid to Texas schools involved the use of *personnel units*, or essentially using the number of teachers and their related credentials and years of experience to determine the primary components of a school district's Foundation School Program costs.

State aid was adjusted based on the amount and value of taxable property located within a school district. Starting with the adoption of HB 1126 in 1975, school district property values were adjusted by the taxable value of rural property to reflect its agricultural productivity (rather than its market value) in response to rural schools' objection to using actual market value, since revenue for such property was based on what it produced rather than what it was valued if sold. Initially, school district market values were self-reported, but a state study revealed that there was notable under-reporting of school district values. The state shifted to the use of state-determined district property wealth beginning in 1975. Determining local school district property value was a critical element in the system since it was used to determine state and local funding proportions to cover the costs of educational services recognized by the state. The state formulae also included some funding to cover the cost of transporting students to schools.

Starting in 1975, in response to a push by school leaders to have the state recognize additional costs associated with providing supplemental or specialized services to students with unique needs, the state began to provide per pupil funding for students with handicapping conditions

(special education), students who lived in low-income households, and students who were not proficient in English.

The basic features of the Texas school finance system remained largely intact from 1975 to 1984. The major change shifted the basis for determining state funding from *personnel units* to *students served* by the school district.

Other major changes incorporated into the 1984 landmark legislation included the use of a new Cost of Education Index (CEI), which adjusted aid to school districts based on complex formulae that took into account differences in local operating costs impacted by labor market differentials.

Another major change involved the way the state determined funding for special student populations, which by 1984 included special education, low-income students, limited-English-proficient pupils, and gifted and talented students. Prior to 1984, special populations funding was a set allocation per student.

In 1984, the state introduced *weighted pupil funding*, a mechanism through which each special population student was assigned an add-on “weight” that translated into a percentage of the cost for educating a non-special needs student in the regular foundation program. Weights for special populations varied depending on the extent of the student’s special needs ranging from the equivalent of several regular students to a percentage add-on of regular student costs. The weight for compensatory education was set at 20 percent add-on of regular student costs; the add-on weight for limited-English-proficient students was set at 10 percent; and the weight for gifted and talented students was set at 12 percent. To discourage school districts from inflating numbers of gifted and talented students, the state arbitrarily limited funding for gifted and talented programs to no more than 5 percent of district’s enrollment. This limit is still incorporated into the current Texas public school funding schema.

The essence of the school funding mechanisms adopted in 1984 remained in place for almost a decade, until the court ruling known as *Edgewood I* mandated that the state of Texas modify its funding system to be more equitable and more efficient. After the legislature had adopted variations in school funding law over several years – all of which were eventually successfully challenged in court – the state finally adopted a substantive reform in 1993 that the court determined had brought the state funding system into compliance with court mandates.

The major change adopted in the 1993 legislation known as SB 7 required that school districts voluntarily decrease their local property wealth by adopting one of five options outlined by the state. The options included: (a) voluntary consolidation with a district of lower wealth; (b) detachment of selected property and re-assignment to neighboring another lower wealth school district; (c) purchase attendance credits from the state; (d) contracting for the education of non-resident students (i.e., students in another district); and (e) tax base consolidation with another district. Failure to adopt one or more of the property wealth reduction options would subject the school district to a number of actions that could be selected by the state, including involuntary de-annexing for district property or even consolidation with another low wealth school district. This voluntary school district action to reduce its property wealth was eventually popularly labeled *recapture* because the state could “capture” excess revenue available to high wealth districts to help maximize efficient use of all state revenues – a criticism leveled by the court about earlier funding schemes. (A form of recapture was instituted in 1991 when the state adopted a county education district based funding system. But that approach was replaced with the adoption of a new reform plan in 1993.) The intended benefits of the approach were two-fold: it reduced the disparities in wealth found among Texas’ more than 1,000 school districts,

thus making it less expensive to equalize revenues across districts of varying property wealth; and it generated money that the state could use to fund public education without having to raise state taxes to yield that additional funding.

Until the mid-1990s, Texas state efforts to improve funding equity had continued to be minimal and piecemeal, providing meager “equalization aid” on top of a fundamentally inequitable funding plan. After the historic *Edgewood* court decisions by the state Supreme Court, Texas worked to create a funding system that was meant to ensure more equitable funding for all of its students. With adoption of Senate Bill 7 in 1993, the state finally created a system that, though far from perfect, provided greater levels of funding equity than seen in Texas’ prior 150-year public education history.

A key feature of the plan was the attempt to reduce unequalized local supplementation. The local supplementation tier was meant to provide extra money raised by school districts beyond the minimum funding provided by the state system. Unequalized local supplementation has historically been a monumental flaw of the Texas system of school finance.

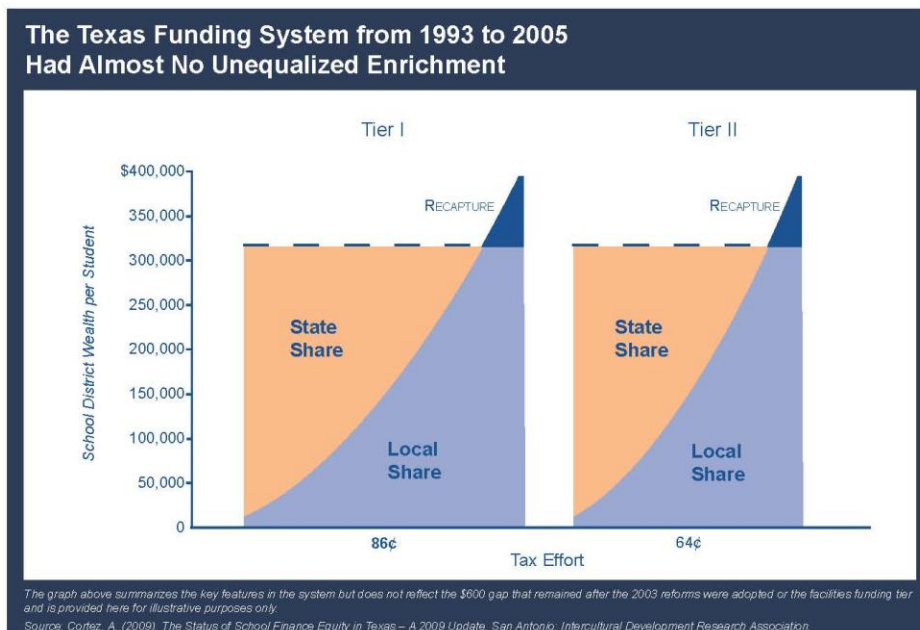
A second major change was the continued flow of state funding to school districts whose state aid should have been reduced as a result in changes in state funding formulae. Known as *hold harmless* provisions, these equalizing features were first justified as a means to ease the transition for higher wealth school districts into the more equitable funding plan and were to be phased out over three years in the plan adopted in 1993 – though the legislatively adopted phase-out of hold harmless features did not occur.

Still, as a result of the reforms as adopted in SB 7, disparities in school revenues were intended to be reduced from thousands of dollars per student to less than \$600 per student.

### **The 1993 School Funding Plan**

As noted earlier, a key feature in the 1993 Texas funding changes was the adoption of new strategies that were intended to account for the great differences in property wealth among Texas public school districts. One important piece of those changes included improvements in assuring that school districts exerting similar tax effort generated the same amount of revenue as every other school district in Texas. This change was mandated by the language in the *Edgewood I* court decision that required any new state funding plan to ensure that all school districts have access to similar revenue for similar tax efforts. To achieve this, all school districts were guaranteed to receive a specified amount of revenue for every penny of local tax effort. If the school district fell short of generating the amount of funding guaranteed, the state provided the difference. If a school district’s tax base generated more money than the state-guaranteed amount, it returned some of the excess money to the state in the form of recapture revenue. The graphic below depicts the system as it operated between 1993 and 2005.

## EXHIBIT 1



Tier I is considered the basic, or “foundation,” portion of the system and was intended to ensure that all Texas students have access to at least a “minimum” education. All school districts were required to have a local tax rate of 86¢ to generate the local share of this basic portion of the funding. The state provided additional funding to bring all school districts up to the required minimum levels of funding.

Local school districts also were allowed to supplement this basic program by raising additional taxes of up to 64¢ – with the state guaranteeing that all school districts would be provided a specified amount for every penny of supplemental tax effort. No school district could exert a total tax effort over \$1.50 with a few exceptions.

Though more structurally sound from an equity perspective compared to years past, the overall level of funding was believed by many involved in Texas education to be notably insufficient.

### **The 2004 Push for an Adequate Education**

Though the amount of funding provided for the basic program and the amount of money guaranteed for each cent of supplemental tax effort was increased between 1993 and 2005, the public school system had continuously been underfunded. This led a group of school districts to challenge the adequacy of funding provided to meet state-mandated education requirements. This push was fueled by changes in the state standards and accountability systems. One of the groups of plaintiffs also contended that all school districts had to tax at the maximum rate to provide their students the minimum education required by the state. Therefore, the existing school funding system's tax provisions they argued constituted a statewide property tax that violated the Texas Constitution. These factors led three different school district groups to challenge the school funding system.

The Texas school finance system adopted in 1993 stayed in place until 2005 when a subsequent state Supreme Court ruling in *West Orange-Cove vs. Neeley* once again mandated a change to the state funding system. Unlike the initial two challenges in the *Edgewood* series of cases, the *West Orange-Cove* challenge was led by a group of high property wealth districts

who argued that the state funding system was inadequately funded and limitations incorporated into the funding plan denied them the local exercise of meaningful discretion related to the education of children in their communities. The Equity Center and MALDEF later intervened arguing that the system was also inequitable.

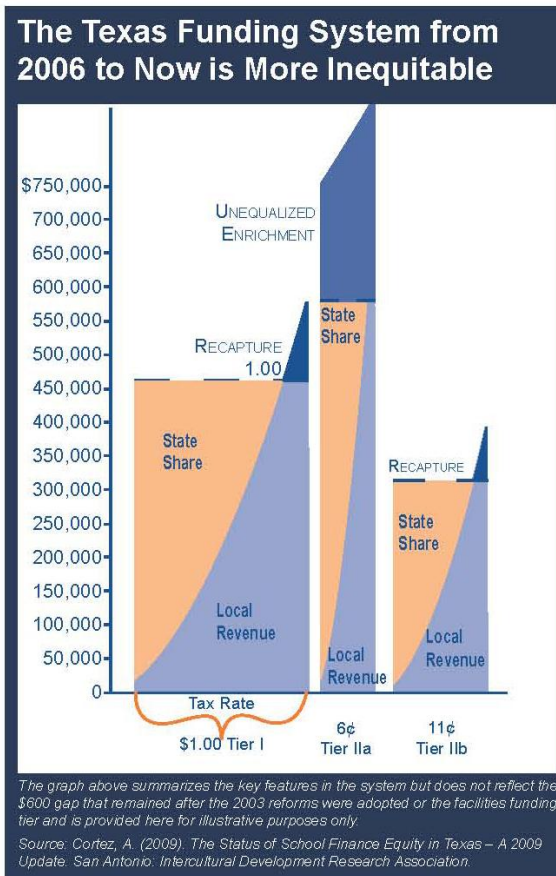
### **Erosion of Equity in the Current Texas School Funding Plan in 2006**

In the 2005 *West Orange-Cove* ruling, the Texas Supreme Court took the stance that the existing level of funding provided by the state was “adequate” though it forecasted a drift toward constitutional inadequacy. The ruling also proposed that the state had placed an inordinate burden of funding for Texas public education on the backs of local school districts, which required many school districts to set local tax rates at the maximum level that, in their opinion, resulted in a state-mandated property tax that violated the Texas Constitution’s prohibition against such taxes. Finally in its most destructive facet, the *West Orange-Cove* decision partially disregarded the equity standards that had been established in *Edgewood I* by proposing that as long as the state provided equitable access to a minimum education program for all school districts, it could allow some school districts to raise some unequalized supplementation above that level. While some level of unequalized supplementation was allowed, the court warned that too much unequalized funding could render the system unconstitutional – but did not provide any guide on how much inequity in school funding was too much inequity.

Under pressure from this new court mandate to modify the finance system in 2006, the Texas legislature adopted a new school finance plan. This latest approach to public school funding went far beyond the court requirements that the state lessen its dependence on local tax revenue to support public education and provide some discretion to local school districts to raise supplemental revenue. Bowing to pressure from property wealthy school districts to allow a return to funding inequity, the legislature re-introduced the concept of *unequalized supplementation*. This expanded funding disparities between wealthy and poor school districts.

The graphic below shows the funding plan that was adopted in 2006. There are now three distinct components in the Texas school public funding system. **Tier I** is similar to the old plan, contending to provide a minimum education for all students. If school districts generate more funding per student than what is guaranteed by the state (a level of \$4,765 per weighted student in 2012), they must submit the extra revenue to the state in the form of recapture. The revised plan also includes a second tier (**Tier IIb**) that functions much like the old system, allowing districts to “supplement” the minimum program by raising up to an additional 11¢ in taxes. In that portion of the funding plan all school districts are guaranteed to receive similar return (\$31.95) for each penny of tax effort. If a school district generates more than the \$31.95 amount guaranteed by the state, it must send the excess revenue to the state as recapture money.

## EXHIBIT 2



The major change made to the Texas funding system in the 2006 changes was the creation of new tier (**Tier IIa**) of funding that re-introduced an unequalized funding tier into the system. In the state's current school funding plan, school districts may raise an extra 6¢ of unequalized supplementation tax revenue above their compressed tax rate (A school district's compressed tax rate is the product of the school district's 2006 tax rate multiplied by 66.67 percent.) School districts are guaranteed to receive a certain amount of funding for every penny of this 6¢ supplementation tax effort (currently based on the revenue per penny of tax effort generated by the Austin ISD), but wealthy school districts that generate more money than this guaranteed amount get to keep all that extra money, and this extra money is not subject to recapture requirements.

### **The Impact of Target Revenue on the Rationality of the Texas School Finance System**

One of the major new features introduced in the 2006 school finance "reform" plan was a mechanism that came to be known as *target revenue*. Target revenue was the ultimate harmless provision in that it guaranteed that every school district would receive at least as much funding per weighted student as it had received prior to the 2006 reforms. Target revenue was intended to be a failsafe to protect school districts against losses in funding created by changes in state finance formulae or any potential cuts in funding.

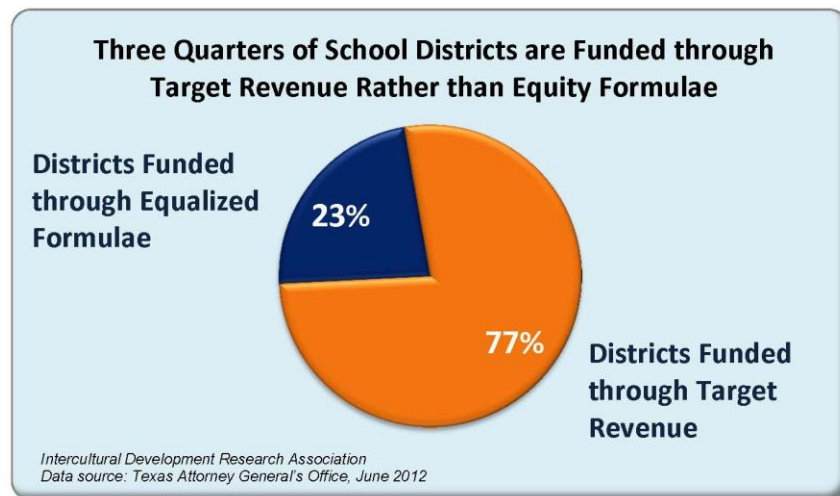
In this allocation process, a school district's revenue under formulae funding was compared to its funding level under the state Foundation School Program. If the formulae funding produced a higher yield per weighted student, the district was funded on that basis. But, if the formulae



funding resulted in a lower yield, the district would receive its allocation on the basis of the target revenue level – which was based on its weighted funding in 2006.

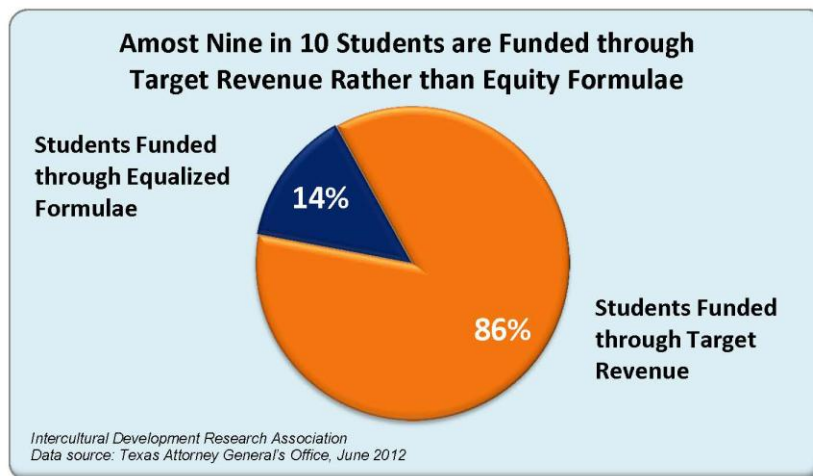
The creation of the target revenue system created a multi-track delivery of state aid to school districts. Due to the limited amount of funds appropriated for public education in the 2006 special legislative session, the overwhelming majority of school districts were funded not on the basis of the equalized state funding formulae but on the basis of target revenue. State under-funding in fact continued this trend so that, in 2010, 790 of the state's 1,024 public school districts – an astounding 77 percent – were funded on the basis of unequalized target revenue, rather than equalized formulae. This means that the official equity formulas are overridden more than three quarters of the time.

EXHIBIT 3



IDRA tallied the counts for target revenue funded district's total WADA and total ADA and then calculated the percentage that those totals constituted of the total WADA and ADA that included all districts – whether they were funded on target revenue or formulae funding. The data show that 86.32 percent of all of the state's weighted students and a similar 89.99 percent of statewide ADA are concentrated in target revenue funded school districts. Thus, target revenue and not formulae funding is the basis of funding for almost nine out of 10 Texas students.

#### EXHIBIT 4



The use of target revenue as the driver of state aid has had a destructive effect on ensuring that there was similar return for similar effort as mandated by the early *Edgewood* state Supreme Court decisions. A review of school districts that received target revenue-based funding and the corresponding yield per penny of tax effort reveals there was no direct relationship between effort and yield even among districts with the same effort.

Comparison of Chapter 41 and Chapter 42 school districts funded via target revenue shows that, despite a tax rate that was 4 cents lower, these property wealthy school districts had a target revenue average of \$8,590 per ADA compared to \$7,532 per ADA for Chapter 42 districts.

Another example of the irrationality of the system is the widely varying yields of similar school districts. For example, two low wealth school districts with identical tax effort of \$1.17 yielded \$5,242 *per weighted student* for one and \$6,320 for the other. At the wealthy end of the property wealth scale, two school districts with identical \$1.04 tax efforts yield revenues per WADA that range from \$7,066 to \$8,404.

Likewise, the two low wealth school districts with an identical \$1.17 adopted *tax rate yield* \$44.80 per penny tax per WADA in one case and \$54.02 in the other. And two school districts with over \$2 million per WADA in property wealth and equal adopted tax rates yielded \$67.94 per penny tax per WADA in one case and \$80.81 in the second.

Review of the data indicates that target revenue has little rational connection to tax effort or total revenue per student generated by that effort. It only serves to maintain a status quo in funding that existed in prior to 2006 that is exacerbated by other measures, despite adoption of reforms.

#### **How Much Equity Has Been Lost?**

As a result of these changes, the Texas system of school funding is now much more unequal than it was in the years between 1991 and 2005. A recent study by Texas' Legislative Budget Board, a state oversight agency, confirmed that the amount of inequity in the system has grown since the adoption of the 2006 changes (2009).

Similar research conducted by the Equity Center, an organization representing low- and average-wealth school districts, confirms the fact that the system has become more inequitable.

According to the Equity Center, in 2006, at an identical tax rate of \$1.00, the state's poorest school districts generated a total of \$4,708 per student (WADA), while the wealthiest school districts generate \$6,235, a net disparity of \$1,527 at the same \$1.00 tax rate in Tier I of the state school funding system. (McCraw, 2008)

According to IDRA estimates developed in 2008, in addition to the disparities described above (up to \$1.00), for the additional 17¢ intended for local supplementation tax allowed by state law, the 100 poorest school districts could generate an average of \$633 supplementation (per WADA), while the state's wealthiest school districts generated an average of \$1,295 supplementation (per WADA), an additional disparity of \$662. Adding the two subtotals produced an average disparity of \$2,189 per student.

Multiplying that average \$2,189 disparity for a class of 20 students reveals a gap per classroom of \$43,780, and for a school of 600 students a gap of \$1,313,400. This is a major expansion in the disparities in the system prior to 2006. Despite these disparities in supplementation, the state did not notably increase the equalization aid since 2006. The issue of funding inequity is examined further later in this report.

### **Great Differences Disproportionately Impact Minority Students**

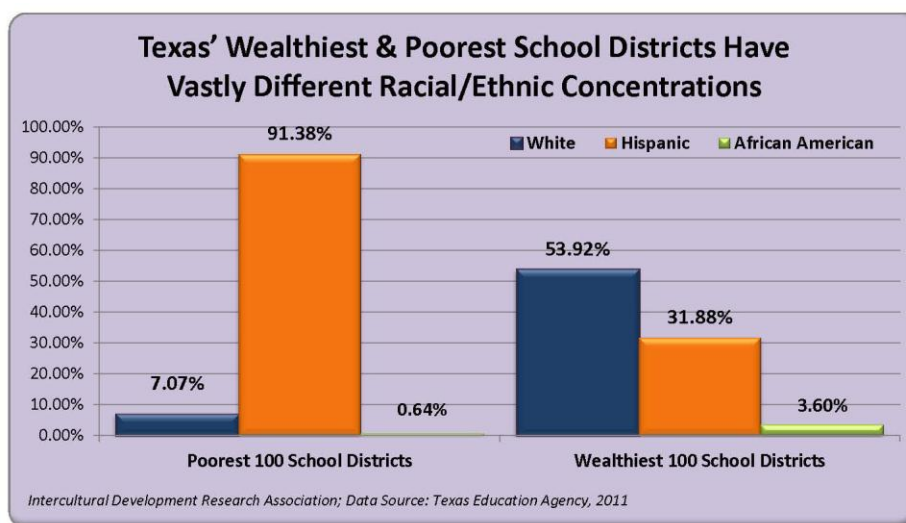
Though almost all school districts in Texas enroll some special student populations, Hispanic and low-income students are concentrated in low-wealth school districts. IDRA analyses of student populations in the state's wealthiest and poorest school districts exposed some disturbing facts indicating that the state's wealthiest school districts are predominately White, while the poorest are overwhelmingly Hispanic.

IDRA examined data on the racial and ethnic composition of the 100 poorest property wealth per WADA school districts compared with the 100 wealthiest per WADA districts. The data indicate that there is a notable difference in the minority concentrations in the two sub-groups. In the 100 wealthiest school districts, White students constitute 53.92 percent of the enrollment, but a mere 7.07 percent in the state's poorest school districts. Conversely, Hispanic students account for 91.83 percent of all students in the poorest 100 school districts in Texas, but only 31.8 percent of students in the highest wealth grouping of districts. African American students account for only 0.64 percent of students in the lowest wealth group and only 3.60 percent in the highest property wealth districts. Review of related data indicates that African American students are concentrated in a few of the state's large urban school districts that are distributed across the property wealth spectrum.

EXHIBIT 5

<b>Texas' Wealthiest &amp; Poorest School Districts Have Vastly Different Racial/Ethnic Concentrations</b>		
	<b>Wealthiest 100 School Districts</b>	<b>Poorest 100 School Districts</b>
<b>Percent White</b>	53.92%	7.07%
<b>Percent African American</b>	3.60%	0.64%
<b>Percent Hispanic</b>	31.88%	91.38%
<i>Intercultural Development Research Association Data Source: Texas Education Agency, 2011</i>		

EXHIBIT 6



### Special Population Programs Affected

Inequitable state funding can compound the challenge of providing appropriate services for students with special needs. Lack of equitable and sufficient funding for special programs has been a continuing problem in Texas for decades. In addition to failing to maintain or improve equity in overall funding, recent legislative efforts have failed to address underfunding of programs for English language learners and low-income, special education, and gifted and talented students. Though additional costs have been acknowledged (by providing some extra state funding for students), the actual amount of money provided has never been based on what it actually costs to deliver specialized services to these student sub-groups. Given that the data on ELL funding show that ELL students constitute above average percentages in the state's lowest wealth school districts, underfunding is particularly impactful in those districts. An expanded discussion of the underfunding of Texas school finance system and underfunding of education for special population students is provided in more detail later in this report.

### Texas Still Does not Provide for Equal School Facilities

Funding for educational programs is essential for delivering effective instruction, but the condition and quality of where that instruction is provided – e.g., instructional facilities – also is an important component. In addition to inequity in educational programs, the state's failure to provide more than token funding for school facilities has exacerbated the inequities in school funding. While the increased level of equity in funding had allowed schools to move from bare bones to more equitable instructional programs, these programs are still operated in very inequitable facilities. Currently, many local school districts are forced to pay for school facilities primarily from local tax revenues. Although the state funding plan incorporates an instructional facilities allotment, appropriations for the program vary from biennium to biennium – in some years being set at \$0. Even in those years when facilities funding was allocated, the number of school districts actually receiving state funding to subsidize facilities are a fraction of the hundreds of districts that qualify for that support under state facility funding formulae.

Since these local school district property wealth bases vary extensively, some can raise less than \$3 per student per penny of local taxation, while others can raise over \$100 per student per penny with that same one penny rate to support construction of new schools. The state's failure to create a stable, predictable source of facilities funding shifts the burden local school districts with extremely varied capacity to raise facilities funding from local property tax sources. Absent

sufficient monies to fund facility-related needs, school districts must often choose between improving instructional programs or addressing local school facility needs. For these reasons, Texas school facilities funding remains one of the system's greatest areas of inequity.

### **Adequacy vs. Excellence**

The 2005 legal challenge to the Texas funding system included a complaint that the Texas school funding plan did not give schools enough money to provide all students even an adequate education. This challenge was modeled after court cases in other states charging that the state funding plans did not cover actual education costs.

In 2005, the Texas Supreme Court ruled in *West Orange-Cove vs. Neeley* that the state funding was barely adequate because the overwhelming majority of Texas schools met state "accreditation" standards. The fact that state accreditation standards are so low that a school district where 55 percent of students fail state assessments is considered to be performing at "acceptable" levels was not noted or even acknowledged by the court.

Allocations by the state of Texas between 2006 and 2011 did nothing to improve the inequities that it had exacerbated in 2006. The last increases in state funding used approaches that did not adjust state aid on the basis of district wealth but provided the same amount of revenue per student even as some school districts would spend hundreds, and in some cases thousands, of dollars per student more than others. In 2007, the legislature provided across-the-board funding for increasing teacher salaries and \$175 per high school student intended to address dropout rates and improve preparation for college. Both allocations maintained the level of inequity re-introduced in the 2006 reforms. In 2009, all school districts were guaranteed a minimum increase of \$120 per student, less than what was needed to even deal with inflation.

## **The Extent of School Funding Equity in Texas in the Current Decade**

To assess the extent to which low, average and high wealth school districts have access to equitable levels of school funding, IDRA analyzed school funding data from the 2010 school year – the most recent year for which final, audited information for Texas school districts was available. The dataset used was provided to MALDEF and all other litigants by the Texas Attorney General's office in response to a request for production submitted the state. What follows is a summary of the results produced from IDRA calculations and analyses of said data. Note that these M&O revenue analyses exclude additional disparities that can be attributed to program-related non-construction supports that are purchased using districts' I&S funds, including such items as computers, other technology and similar materials that have a life span in excess of one year.

The data file received on May 30, 2012, (and labeled 000010972^Review0602535.xls modified 05232102 at 2:40 p.m.) contained the latest audited school data used to generate public school funding for the 2009-10 school year. Data sets included: District name; District's CDN – county district number; County in which district was located; District's total ADA for 2010; District's WADA – weighted average daily attendance for 2010; District's property value (tax year 2009); District's property value per WADA; District's LPE (FSP and ASF) Allocation; District's DPE (FSP and ASF) allocation; District's Chapter 41 status; District's recapture revenue paid; District's total state aid; District's total state aid net of recapture; District's adopted M&O tax rate (tax year 2010); District's total M&O revenue at adopted rate; District's total M&O revenue at compressed rate; District's M&O collections; District's total debt service; District's adopted I&S

tax rate; District's total FSP comp education funding; District's total FSP bilingual education funding; District's CE pregnant allotment; District's high school allotment; District's target revenue; and Whether district's 2010 state funding was based on formula or target revenue.

There were a total of 1,024 school districts included in the file provided by the Texas Attorney General to MALDEF.

Using the data provided by the state, IDRA initially sorted school districts by the property wealth per WADA of individual districts in ascending order of district property wealth per WADA and including all related data for that district provided to MALDEF. Using this sorted data file, IDRA grouped school districts into 10 percent sub-groupings – producing subgroupings of 103 school districts per decile, except for the 10<sup>th</sup>, which contains 97 school districts. (This is common procedure to avoid artificially dividing school districts to produce pure 10 percent subgroupings.)

After creating the decile sub-groupings, IDRA ran a series of analyses to determine the total ADA and WADA of districts within each decile, the percentages of total statewide WADA and ADA contained in each decile, the total property value of all districts in each decile sub-group, the average property wealth per WADA of districts in each decile, the average adopted tax rate of districts in each decile, the average revenue per WADA at adopted tax rates for districts in each decile, as well as the average revenue per WADA for each decile at maximum maintenance and operations (M&O) tax rates of \$1.17.

The table below reflects the summary data for key variables included in the decile analyses.



## EXHIBIT 7

Average Revenue per WADA Shows Gap Between Poorest and Wealthiest Decile of School Districts				
School District Grouping	Group Property Wealth per WADA	Revenue per WADA at 2010 Adopted Tax Rates	Tax Rate in 2010	Revenue per WADA at \$1.17 M&O Rate
Poorest Decile	\$71,527	\$5,553	\$1.10	\$5,848
2 <sup>nd</sup> 10% of Districts	\$119,746	\$5,453	\$1.09	\$5,847
3 <sup>rd</sup> 10% of Districts	\$143,618	\$5,376	\$1.08	\$5,796
4 <sup>th</sup> 10% of Districts	\$173,779	\$5,528	\$1.07	\$5,941
5 <sup>th</sup> 10% of Districts	\$198,636	\$5,515	\$1.07	\$5,877
6 <sup>th</sup> 10% of Districts	\$240,246	\$5,548	\$1.07	\$5,953
7 <sup>th</sup> 10% of Districts	\$279,888	\$5,536	\$1.06	\$6,002
8 <sup>th</sup> 10% of Districts	\$365,011	\$5,983	\$1.05	\$6,493
9 <sup>th</sup> 10% of Districts	\$409,378	\$6,093	\$1.04	\$6,611
Wealthiest Decile	\$1,020,856	\$7,030	\$1.01	\$7,654
Revenue Gap per WADA Between Poorest and Wealthiest Decile		\$1,477		\$1,806
Intercultural Development Research Association Data source: Texas Attorney General's Office, June 2012				

IDRA observed that the poorest 10 percent of Texas school districts in 2010 had an average property wealth per WADA of \$71,527, while the wealthiest 10 percent of Texas school districts had an average wealth of over \$1 million per weighted student. While recapture features in the funding system offset the great wealth disparity among the state's lowest wealth and highest wealth districts, the 6¢ of not equalized supplementation – referred to as “golden pennies” in the funding system – and the remaining wide disparities in property wealth per weighted students no doubt contribute to disparities in the amount of revenue that is available to educate students in the lowest wealth versus highest wealth school districts in the state.

For example, in 2010 a school district with a property wealth per WADA of \$100,000 is guaranteed the yield generated by Austin ISD, or \$59.91 per penny of tax effort for the six golden pennies funded by the state. A school district with a property wealth per WADA of \$1 million yields \$100 per penny, creating a disparity of \$40 for each penny, or a total unequal yield of \$240 for the 6 golden penny tax effort.

Analysis of district revenue data reveals that the poorest 10 percent of Texas school districts in 2010, using adopted M&O tax rates, had an average revenue per WADA of \$5,553, compared to the wealthiest decile of districts who had an average revenue per WADA of \$7,030 – producing a gap of \$1,477 per WADA between the poorest and wealthiest decile of Texas school districts, a difference of 27 percent in revenue per WADA.

The yield in the poorest decile of school districts would be \$5,553 at \$1.10 tax or \$50.48 per penny per WADA, while the wealthiest decile would yield \$7,030 at \$1.10 tax or \$69.60 per

penny per WADA. This means that the yield per penny in the wealthiest decile is 37.8 percent higher than the yield for the poorest decile of school districts.

EXHIBIT 8

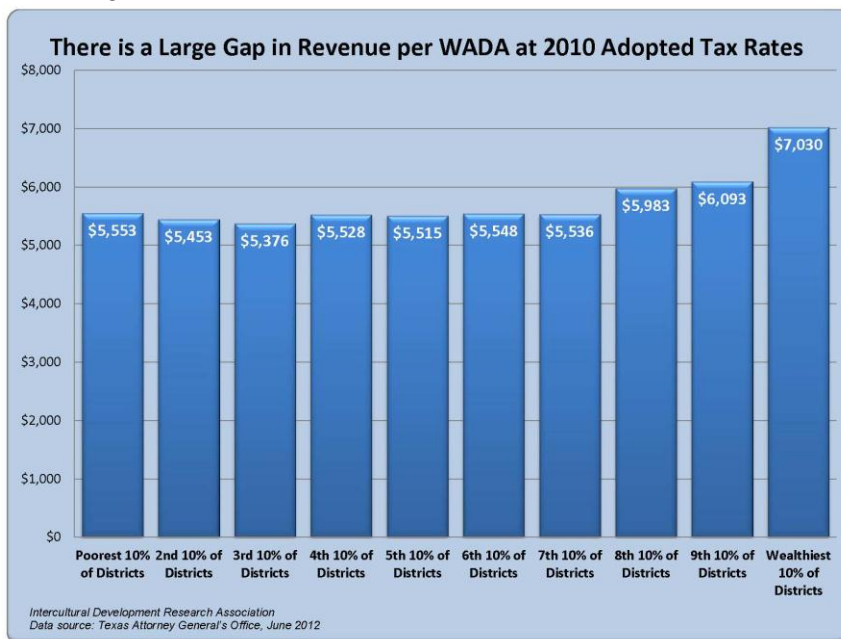


EXHIBIT 9



Moreover, the poorest district decile grouping had an average M&O tax rate of \$1.10, compared to a tax rate of only \$1.01 in the wealthiest district decile. Ironically, while the property poorest



decile of school districts taxed themselves at rates that were 8.2 percent higher than their wealthier counterparts, they generated about 26 percent fewer revenue dollars per WADA.

EXHIBIT 10

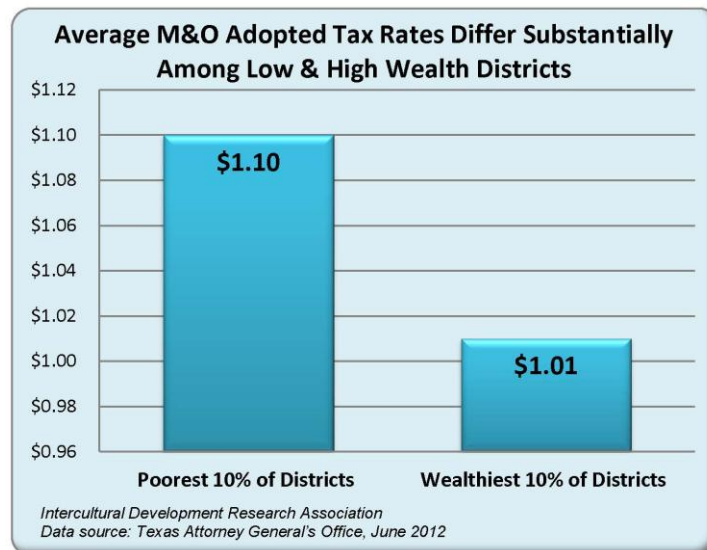


EXHIBIT 11



For a number of varied reasons, many Texas school districts have not adopted the maximum \$1.17 tax rate allowed by existing state law. One factor that may be impacting local M&O tax rate levels is the requirement adopted in 2006 following the *West Orange-Cove* ruling that school districts seeking to increase their M&O tax rates above certain specified levels must subject such decisions to local elections for approval. For whatever reasons, analysis of Texas school district M&O adopted tax rates indicate that slightly more than 200 school districts had maxed out their M&O tax options.

To assess the extent of equity in the Texas school finance system if all school districts increased their local M&O tax rates to the maximum of \$1.17, IDRA calculated the additional revenues that would be available to Texas school districts at those maximum tax rates.

The graphs below show the revenues per WADA that would be available to decile groupings of

school districts ranging from the poorest decile of property wealth per WADA, to the wealthiest decile of Texas school districts. According to the data, if all school districts taxed at the maximum rate of \$1.17, the poorest decile of districts would have access to an average M&O revenue per WADA of \$5,848, while the wealthiest 10 percent of districts would have access to \$7,654 – producing a revenue gap per WADA of \$1,806 between the two sub-groups, a 31 percent difference in revenue between the two subgroups.

EXHIBIT 12

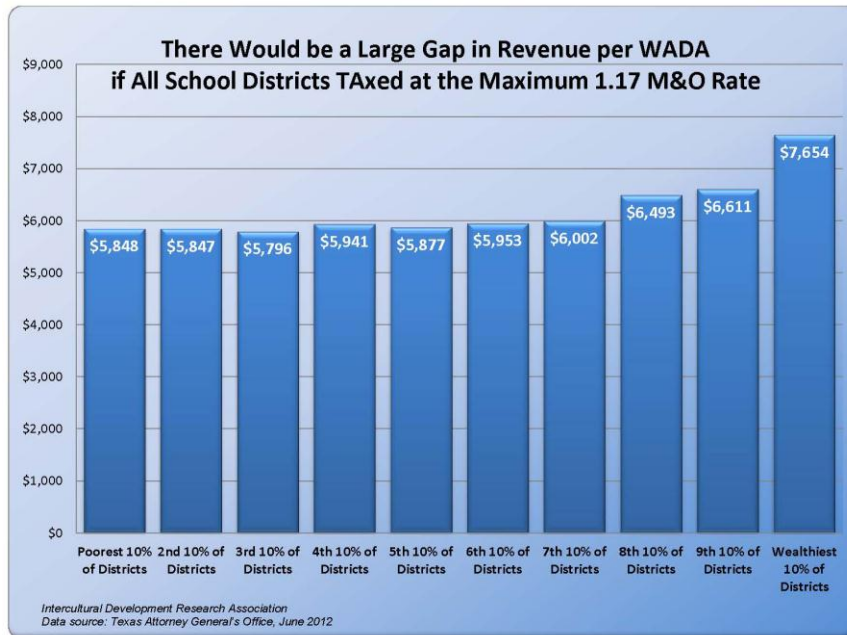


EXHIBIT 13



The \$1,806 revenue per WADA gap translates to a total disparity of \$36,120 in a classroom of 20 students, a gap of \$1,083,600 in an average school of 30 classrooms, and a gap of \$1,060,000 for every 1,000 students in districts with comparable property wealth disparities per WADA.

### **Tax Efforts Necessary to Generate Revenue to Provide Education at Differing Levels of Funding per WADA in School Districts of Varying Taxable Property Wealth**

In order to determine the tax effort that would be required for Texas school districts to generate specific levels of funding per WADA, IDRA calculated the amount of yield per penny of tax effort that was generated by school districts at tax rates adopted in 2010 as well as the yield per penny of effort that would be generated if all districts taxed themselves at the M&O maximum of \$1.17. After generating district specific totals, the data were grouped by 10 percent of Texas school districts and average tax effort for each was computed. The table below presents the findings gleaned from this analysis.

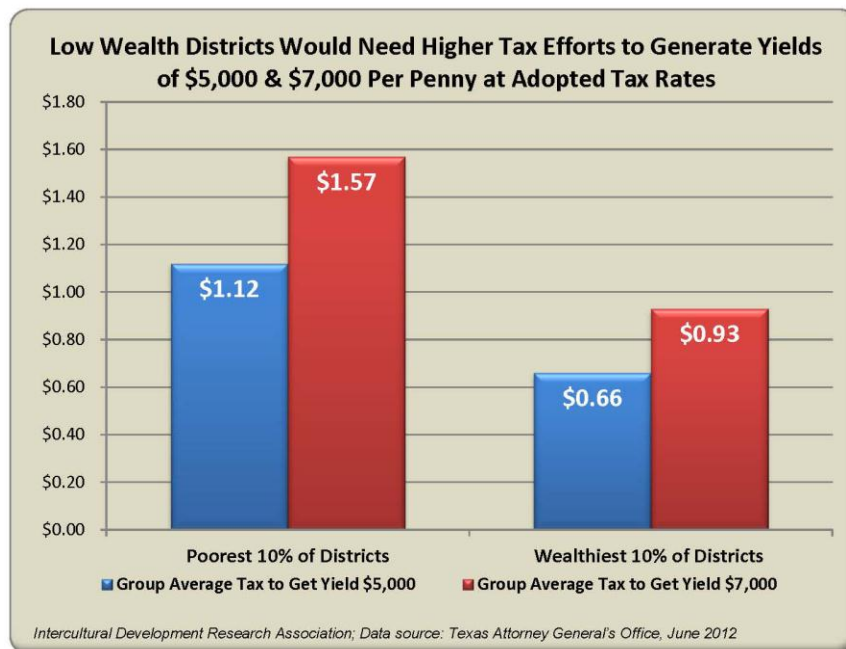
The data summarized below indicates that, given existing funding formulae, the state's lowest wealth school districts would have to exert considerably higher tax efforts than the state's highest wealth districts to acquire the same amount of revenue – with the tax effort disparity increasing as the level of funding desired increased. This pattern held for yields generated at adopted tax rates and at the state's maximum rate of \$1.17.

For example for the group of lowest wealth districts to generate \$5,000 per WADA at average adopted tax rate yields , they would have to tax themselves at a rate of \$1.12 per \$100 of property value. The wealthiest districts could generate that same \$5,000 at an average tax rate of 66¢ – or 58 percent lower than the tax rate of the lowest wealth group. At the \$7,000 per WADA level, the lowest wealth districts would have to levy a tax rate of \$1.57 (which exceeds existing tax caps), while the wealthiest school districts would have to adopt an average tax rate of 93 cents – a 64¢ disparity in tax effort or 40 percent difference for the same revenue. As a whole, the data reflect that tax efforts required to generate certain revenue levels decreases as districts' average property wealth per WAD increases.

EXHIBIT 14

Tax Efforts Necessary to Generate Certain Revenue Levels per WADA at Adopted Tax Rate Yields, by School District Deciles					
School District Grouping	Group Average Tax to Get Yield \$5,000	Group Average Tax to Get Yield \$5,500	Group Average Tax to Get Yield \$6,000	Group Average Tax to Get Yield \$6,500	Group Average Tax to Get Yield \$7,000
Poorest Decile	\$1.12	\$1.23	\$1.35	\$1.46	\$1.57
2nd 10% of Districts	\$1.00	\$1.10	\$1.20	\$1.30	\$1.41
3rd 10% of Districts	\$0.98	\$1.08	\$1.18	\$1.28	\$1.38
4th 10% of Districts	\$0.98	\$1.07	\$1.17	\$1.27	\$1.37
5th 10% of Districts	\$0.96	\$1.06	\$1.16	\$1.25	\$1.35
6th 10% of Districts	\$0.95	\$1.05	\$1.14	\$1.24	\$1.33
7th 10% of Districts	\$0.92	\$1.02	\$1.11	\$1.20	\$1.29
8th 10% of Districts	\$0.88	\$0.97	\$1.06	\$1.14	\$1.23
9th 10% of Districts	\$0.83	\$0.91	\$0.99	\$1.08	\$1.16
Wealthiest Decile	\$0.66	\$0.73	\$0.80	\$0.86	\$0.93
<b>Gap</b>	<b>\$0.46</b>	<b>\$0.50</b>	<b>\$0.55</b>	<b>\$0.59</b>	<b>\$0.64</b>
Intercultural Development Research Association Data source: Texas Attorney General's Office, June 2012					

EXHIBIT 15



The tax effort pattern remains does not substantially change when the average yield is computed for districts as if all were taxing at a M&O maximum tax rate of \$1.17. Though, overall

tax efforts as whole are somewhat lower given slightly higher yields that accompany higher tax rates, the disparities noted among low wealth and high wealth school district sub-groups persist.

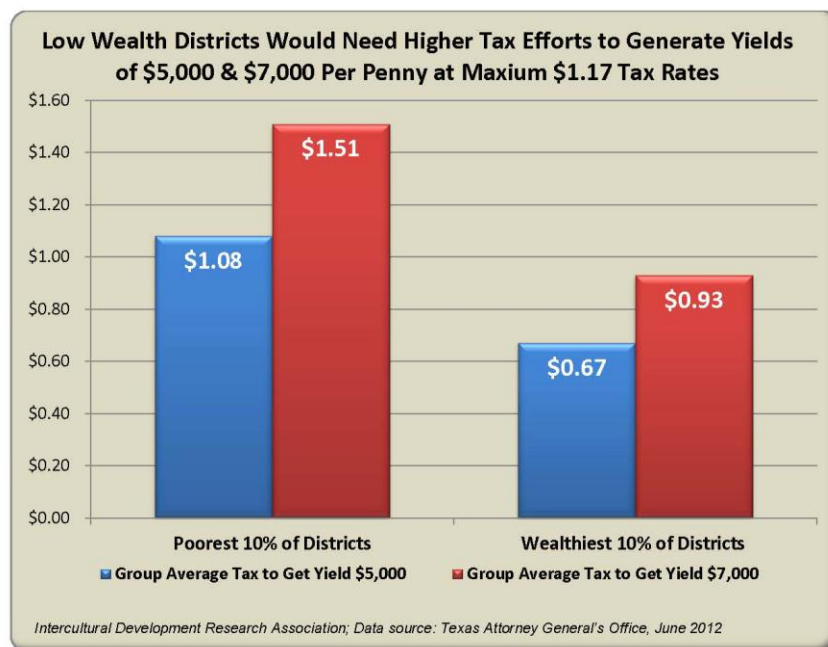
EXHIBIT 16

**Tax Efforts Necessary to Generate Certain Revenue Levels per WADA at \$1.17 Yields,  
by School District Deciles**

School District Grouping	Group Average Tax to Get Yield \$5,000	Group Average Tax to Get Yield \$5,500	Group Average Tax to Get Yield \$6,000	Group Average Tax to Get Yield \$6,500	Group Average Tax to Get Yield \$7,000
Poorest Decile	\$1.08	\$1.19	\$1.29	\$1.40	\$1.51
2nd 10% of Districts	\$1.02	\$1.13	\$1.23	\$1.33	\$1.43
3rd 10% of Districts	\$1.01	\$1.11	\$1.21	\$1.31	\$1.41
4th 10% of Districts	\$1.00	\$1.10	\$1.20	\$1.30	\$1.40
5th 10% of Districts	\$0.99	\$1.09	\$1.19	\$1.28	\$1.38
6th 10% of Districts	\$0.98	\$1.08	\$1.18	\$1.27	\$1.37
7th 10% of Districts	\$0.95	\$1.05	\$1.14	\$1.24	\$1.33
8th 10% of Districts	\$0.91	\$1.00	\$1.09	\$1.19	\$1.28
9th 10% of Districts	\$0.86	\$0.95	\$1.04	\$1.12	\$1.21
Wealthiest Decile	\$0.67	\$0.73	\$0.80	\$0.87	\$0.93
<b>Gap</b>	<b>\$0.41</b>	<b>\$0.36</b>	<b>\$0.49</b>	<b>\$0.53</b>	<b>\$0.58</b>

*Intercultural Development Research Association  
Data source: Texas Attorney General's Office, June 2012*

EXHIBIT 17



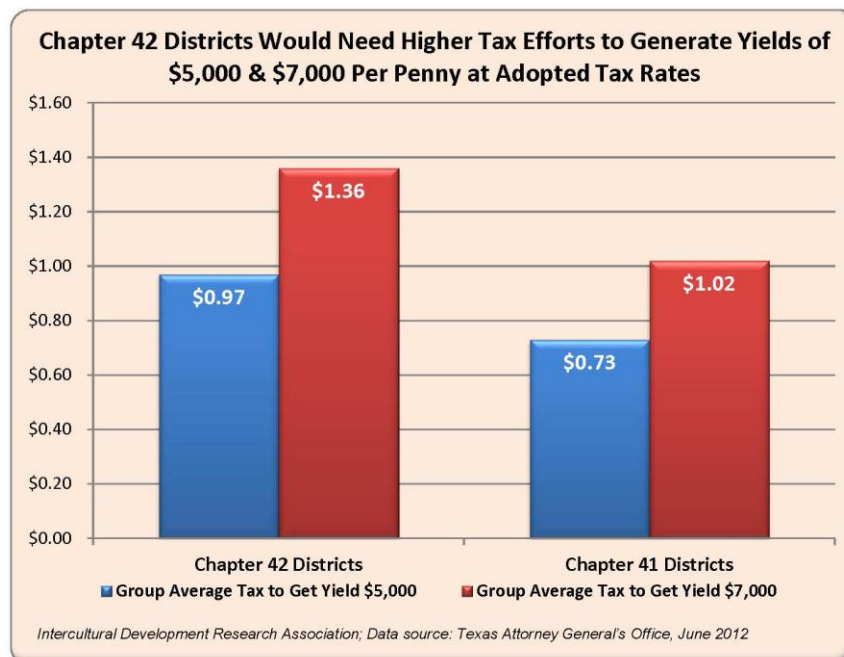
In order to determine the varying tax efforts that would be required for Chapter 42 and Chapter 41 districts to generate \$5,000, \$5,500, \$6,000, \$6,500 and \$7,000 per WADA, IDRA calculated the average yields per WADA per penny of tax effort – at adopted tax rate yields – for each subgroup at the various revenue levels. The results of these analyses are summarized in the tables below. As can be seen from the data, the state's Chapter 42 districts would need to levy an average tax of 97¢ per \$100 of property value to generate \$5,000 per WADA. By contrast Chapter 41 districts would need to levy a tax of only 73¢ per \$100 of value to generate the same revenue, a tax disparity of approximately 24 percent between the two groups.

This trend continues at the higher revenue per WADA levels. For example at the \$6,500 per WADA revenue level, Chapter 42 school districts would have to levy an average tax of \$1.26 to generate that level of revenue per WADA, while their counterpart Chapter 42 districts could generate the same revenue at a tax rate of 94¢ – a tax disparity of 32 percent between the two groups.

EXHIBIT 18

<b>Tax Efforts Necessary to Generate Certain Revenue Levels per WADA at Adopted Tax Rate Yields, by Chapter 41 and Chapter 42 School District Groupings</b>					
	<b>Group Average Tax to Get Yield of \$5,000</b>	<b>Group Average Tax to Get Yield of \$5,500</b>	<b>Group Average Tax to Get Yield of \$6,000</b>	<b>Group Average Tax to Get Yield of \$6,500</b>	<b>Group Average Tax to Get Yield of \$7,000</b>
<b>Chapter 42 Districts</b>	\$0.97	\$1.07	\$1.16	\$1.26	\$1.36
<b>Chapter 41 Districts</b>	\$0.73	\$0.80	\$0.87	\$0.94	\$1.02
<b>Gap</b>	<b>\$0.24</b>	<b>\$0.27</b>	<b>\$0.29</b>	<b>\$0.32</b>	<b>\$0.34</b>
<i>Intercultural Development Research Association Data source: Texas Attorney General's Office, June 2012</i>					

EXHIBIT 19

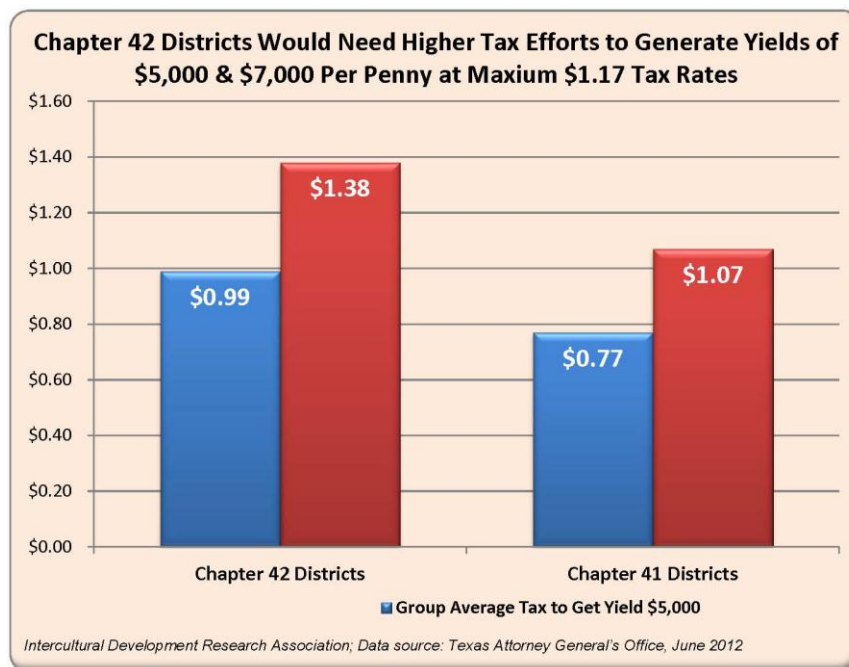


Comparing tax efforts at the yield per penny if all districts taxed at the maximum \$1.17 level produced similar trends. As graph below shows that, while Chapter 42 school districts would need to an average tax levy of 99¢ to generate \$5,000 per WADA, Chapter 42 school districts could generate that same revenue level with an average tax rate of 77¢ – a tax disparity of 22 percent between the two groups. At the \$6,500 revenue per WADA level, Chapter 42 school districts would need to tax themselves at an average of \$1.28, while Chapter 42 school systems would require an average tax rate of \$1.07 – a 29 percent tax rate disparity.

EXHIBIT 20

Tax Efforts Necessary to Generate Certain Revenue Levels per WADA at \$1.17 Yields, by Chapter 41 and Chapter 42 School District Groupings					
	Group Average Tax to Get Yield of \$5,000	Group Average Tax to Get Yield of \$5,500	Group Average Tax to Get Yield of \$6,000	Group Average Tax to Get Yield of \$6,500	Group Average Tax to Get Yield of \$7,000
<b>Chapter 42 Districts</b>	\$0.99	\$1.09	\$1.18	\$1.28	\$1.38
<b>Chapter 41 Districts</b>	\$0.77	\$0.84	\$0.92	\$1.00	\$1.07
<b>Gap</b>	<b>\$0.22</b>	<b>\$0.25</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.31</b>
Intercultural Development Research Association Data source: Texas Attorney General's Office, June 2012					

EXHIBIT 21



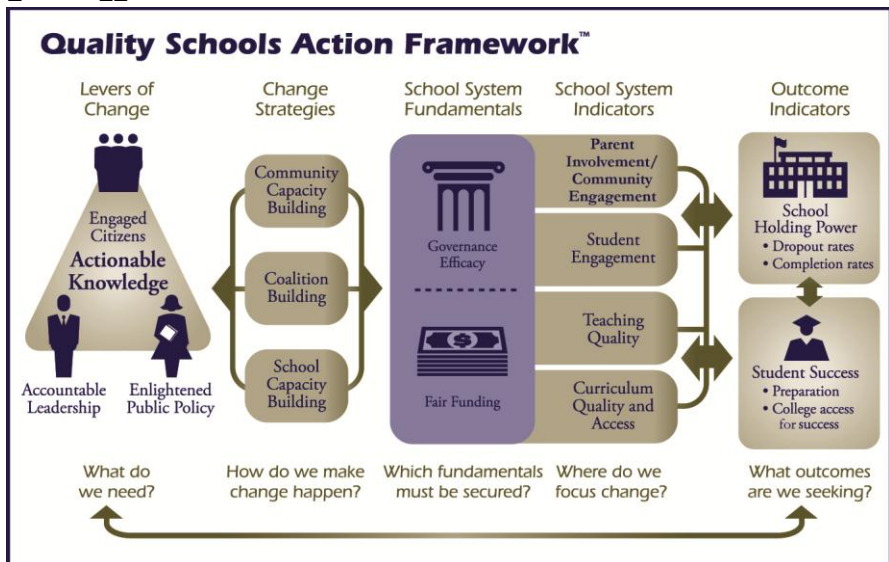
These data are important under the assumption that all school districts could be required to provide a minimum or basic level of education and the cost of such was found to be reflected among the range examined. If such were the case, it is clear from the data that current yields would require different levels of tax effort to generate similar revenues and thus some adjustments in existing formulae would be necessary to provide similar yields for similar efforts.



## The Impact of Unequalized Revenue on Access to Educational Quality

The significance of the different amounts of revenue available to educate students in Texas lies not only in the financial disparities that abound in Texas schools but more importantly in the impact that those differences in resources have on the quality of education that is accessible to students residing in those vastly different school districts. In IDRA's Quality Schools Action Framework™ (see graphic below), we identified a number of significant inter-related facets of the educational process that ultimately impact the output side of the matrix (Robledo Montecel & Goodman, 2010). The output end includes the proportion of students who meet state academic standards and go on to post-secondary institutions.

EXHIBIT 22



2010, Intercultural Development Research Association

It is critical to note that those educational outcomes are the end-result of the myriad of inputs into the educational process, with one important factor being equitable funding available to support local educational program efforts. While funding may not be the sole predicator of educational success, it does impact school district access to other critical ingredients in the success matrix, including strong leadership at the district and campus levels and quality teaching that can be enhanced by resources allocated for professional development. Funding can also impact a school district's ability to effectively engage parents in improving student outcomes and its ability to support (or impede) the district's targeting of resources for students with special needs.

A study by Education Trust found that fewer well-prepared teachers in large urban and suburban school districts were concentrated in high poverty schools (Almy & Theokas, 2010). In a 2009 report, the Schott Foundation for Public Education examined minority and low-income students' opportunity to learn in states around the country. The opportunity to learn metrics they used included access to early childhood education, highly effective teachers, well-funded materials, and a college preparatory curriculum. In the foundation's analyses of state-level data, Texas was found to have an Opportunity to Learn index score of 39 percent, being "one of a group of states with low graduation rates, a comparatively high percentage of students from disadvantaged groups, and comparatively low funding for instruction." The report also found that Texas' Latino students and Black students, as well as its low-income pupils, had "less than half the opportunity to attend the state's best supported, best performing schools as the state's



White, non-Latino students.”

A Texas-focused study by Dr. Ed Fuller found that, even after controlling for prior achievement, student demographics, and geographic location, teacher quality at the school level is associated with student achievement. He also found that students in high-poverty and predominantly minority schools have far less access to teacher quality than students in low-poverty and predominantly White school (2010).

Equitable funding can thus help level the playing field for all schools and ensure that all school districts have access to equitable resources and are thus equally vested in providing a high quality education for all students. The existing inequitable system does not support such collaboration, instead pitting school districts with vastly different resources against each other and encouraging competition that is vastly inequitable. While such an inequitable system may benefit a favored few, it does little to ensure that Texas as a whole will be up to the task of producing the highly educated workforce that is essential in highly competitive economic markets.

## **Weighted Student Funding in State Public Schools**

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The practice of providing supplemental revenue to help offset the cost of educating students with special needs goes back many decades. According to research conducted by the Education Commission of the States, the genesis of special population funding began to emerge in the 1970s as both the federal government and the states began to acknowledge cost differences that could be attributed to differences in the educational support needs of special population students (McGuire, 1982).

The tendency to provide funding for serving students with special needs also was related to emerging state and/or federal mandates that required schools to provide them with specialized services. For example, by the late 1970s, all states required school districts to identify and provide specialized services for students with handicapping conditions. In a similar vein, federal Title I funding inspired states to create state-level compensatory education programs that, in turn, mandated that specialized services be provided to low-income, under-achieving students. With the *Lau vs. Nichols* ruling related to educational services provided to the nation’s English language learner (ELL) students, many states subsequently created specialized funding mechanisms to assist schools in providing specialized services to their ELL student populations.

While many states provided add-on funding for special population students, the funding approaches themselves have varied extensively from state to state. In its review of state special population program funding conducted in 1982, the Education Commission of the States reported: “State funds for bilingual education are distributed in ways similar to those used in distributing state funds for compensatory education. Pupil weights are used in five states; flat grants per pupil are awarded in four states; instructional units are allocated in three; excess cost reimbursement is used in three states; and nine states award project grants, both competitive and six non-competitive allocations” (McGuire, 1982). It is important to note that, in most descriptions of special population funding, the basis for determining the add-on funding level is seldom addressed.

In the early years of special population programs, the lack of research data regarding add-on costs associated with delivering supplemental services to students with special needs led to

arbitrary levels of funding for such programs. By the 1970s, some add-on cost studies for special populations began to emerge. IDRA conducted a series of the earliest state-specific add-on cost studies focusing on programs serving limited-English-proficient students in the states of Texas, Colorado and Utah (Cárdenas, Bernal & Kean, 1976; Robledo, Zarate & Guss-Zamora, 1978; Guss-Zamora, Zarate & Robledo, 1979). In 2008, IDRA reviewed state funding approaches and related add-on costs (Robledo Montecel & Cortez, 2008). A description of the study and its major findings is described later in this section.

According to a review of research on state weighted funding systems conducted by Deborah Verstegen, Teresa Jordan and Paul Amador (2008), the evidence still “suggests that a finance system that is designed to provide equal resources to students is not sufficient to meet the social justice goals inherent in current state and federal education policy.” The researchers continue: “Further, while most states do include a weighted per pupil component to their finance system in an attempt to improve vertical equity, these weights are rarely grounded in the literature. Lastly, unlike categorical funds that must be used for a specific purpose, per pupil weightings are [often] applied to the general education funds. As such, there is no requirement that these funds be used specifically to serve children in underrepresented populations.”

### **Research on Add-on Funding for English Language Learners**

Educators, policymakers and others in the United States have long struggled with issues related to the additional costs involved in providing appropriate educational services to English language learners (also referred to as limited-English-proficient [LEP] students). During the mid-20<sup>th</sup> century, Hispanic community leaders grew increasingly concerned with the woefully inadequate educational outcomes of their communities’ schools. These leaders began to demand better quality educational programs for their children (U.S. Commission on Civil Rights, 1967; U.S. Commission on Civil Rights, 1971).

The Supreme Court ruling in *Lau vs. Nichols* stated that providing all-English instruction (also known as “English immersion”) to students who had limited proficiency in English violates federal requirements for equal access to educational opportunity. Thus, schools were required to provide special instruction to children identified as limited in English proficiency.

The *Lau* decision provided greater pressure for states with large numbers of LEP students to adopt state-level policies dictating instructional practices and providing state funding. An analysis of state requirements related to LEP students conducted in 1982 revealed that several states (including California, Florida, Illinois, Michigan, New Jersey and Texas) mandated implementation of bilingual instructional programs for LEP students. Another 16 states provided local option program implementation (McGuire, 1982).

### **Texas Requirements Regarding Education of English Language Learners**

In addition to provisions that will ensure its compliance with federal mandates regarding education of English language learners (also referred to as “limited-English-proficient” or LEP, students in Texas) enrolled in Texas public schools, the state adopted major policy in 1981, embodied in SB 477, that specified a number of specific areas in which school districts were required to take certain action.

State requirements related to ELL students are included in Chapter 89 of the Texas Education Code. The intent of state policy is outlined in Section 89.1201 as excerpted below.

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**“§89.1201. Policy.**

- (a) It is the policy of the state that every student in the state who has a home language other than English and who is identified as an English language learner shall be provided a full opportunity to participate in a bilingual education or English as a second language (ESL) program, as required in the Texas Education Code (TEC), Chapter 29, Subchapter B. To ensure equal educational opportunity, as required in the TEC, §1.002(a), each school district shall:
- (1) Identify English language learners based on criteria established by the state;
  - (2) Provide bilingual education and ESL programs, as integral parts of the regular program as described in the TEC, §4.002;
  - (3) Seek certified teaching personnel to ensure that English language learners are afforded full opportunity to master the essential knowledge and skills required by the state; and
  - (4) Assess achievement for essential knowledge and skills in accordance with the TEC, Chapter 39, to ensure accountability for English language learners and the schools that serve them.
- (b) The goal of bilingual education programs shall be to enable English language learners to become competent in listening, speaking, reading, and writing in the English language through the development of literacy and academic skills in the primary language and English. Such programs shall emphasize the mastery of English language skills, as well as mathematics, science, and social studies, as integral parts of the academic goals for all students to enable English language learners to participate equitably in school.
- (c) The goal of ESL programs shall be to enable English language learners to become competent in listening, speaking, reading, and writing in the English language through the integrated use of second language methods. The ESL program shall emphasize the mastery of English language skills, as well as mathematics, science, and social studies, as integral parts of the academic goals for all students to enable English language learners to participate equitably in school.
- (d) Bilingual education and ESL programs shall be integral parts of the total school program. Such programs shall use instructional approaches designed to meet the special needs of English language learners. The basic curriculum content of the programs shall be based on the essential knowledge and skills required by the state.”\*

\*Statutory Authority: The provisions of this Subchapter BB issued under the Texas Education Code, §§29.051, 29.053, 29.054, 29.056, 29.0561, 29.060, and 29.066, unless otherwise noted

*Source: The provisions of this §89.1201 adopted to be effective September 1, 1996, 21 TexReg 5700; amended to be effective May 28, 2012, 37 TexReg 3822.*

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State policy also outlines specific procedures for: identifying ELL students; assessing native language and English proficiency levels; providing for delivery of instruction by personnel certified in bilingual education or ESL; participation in state-mandated assessments; determining when students are ready to be re-classified for exit from bilingual or ESL services; and allowing parents to sign-off on non-participation in a state bilingual or ESL program. Provisions regarding ELL students also are incorporated into state mandates related to delivery of special education services and inclusion of ELL students in the state accountability system.

Additional provisions outline permissible use of state funding to support education of ELL students and restrictions on the percentage that may be re-allocated for general administrative funds.

### **Developing Cost Estimates for Providing Education to ELLs**

Later, interests in defining what constitutes an *adequate education* – spurred by state-level challenges regarding the level of funding provided to local school districts – led to research studies on the cost of providing education. The research approaches vary widely but can be generally characterized into a range of types. In its primer on cost models, the National Education Access Network (2006) groups the major methodologies into the following areas.

- **Professional judgment studies:** costing techniques that rely on gathering input from groups of education service delivery professionals (teachers, administrators, special program specialists, etc.) on the essential components necessary to deliver a particular type of educational program, followed by collection of data on the actual dollar costs for providing those services.
- **Expert judgment studies:** evidence-based methods that rely on a combination of effective schools research in tandem with expert panels to define and cost out “effective” educational practices.
- **Successful school or school district studies:** collection of data on existing school operations, followed by development of costs actually experienced in those settings.
- **Cost function (or value added) studies:** attempts to determine how much “a given school district would need to spend, relative to an average district, to obtain a specific performance target – given the characteristics of the school district and its student body” (National Education Access Network, 2006).

What follows are descriptions of the major research efforts and the results found during more than four decades of research.

### **Early Bilingual Education Cost Studies**

In the early 1970s, researchers initially debated issues as basic as what actually constitutes a *bilingual education* program. In a 1973 article developed for ASPIRA, Dr. José A. Cárdenas, a leading national expert on language-minority children’s education, proposed that, while local variants of bilingual programs may have existed, the critical elements of a universal bilingual education model include the following elements:

- determination of students’ language dominance and fluency;
- staffing and staff utilization;
- specialized staff training;
- specialized materials;
- instructional methodologies used;
- time and space factors including instruction in either language, grouping and organizational patterns for instruction; and
- specialized efforts targeted on expanding (ELL) community involvement. (Cárdenas, 1994)

IDRA conducted one of the earliest cost studies of bilingual programs in the mid-1970s. In that seminal bilingual education cost study, the IDRA research team used a panel of experts methodology to identify what practitioners in the field of bilingual education considered to be critical elements of an effective bilingual education program (Cárdenas, Bernal & Kean, 1976).

These included:

- student assessment;
- program evaluation;
- supplemental curricular materials;
- staffing;
- staff development; and
- parent involvement.

In the IDRA-developed bilingual education cost model, only those costs unique to the implementation of the specialized program were considered. For example, the costs of providing a teacher and standard English-language textbooks were not incorporated, since all students (not just bilingual students) would be provided these. On the other hand, specialized costs were considered, such as the additional assessments required to determine ELL student's native language and English language proficiency for instructional placement purposes as well as costs for specialized staff training and professional development, specialized materials and auditory equipment, and program evaluation. IDRA then collected actual cost information on the various components and developed an actual dollar cost figure for program delivery. (Cárdenas, Bernal & Kean, 1976)

The bilingual education cost amounts varied slightly depending on the grade levels involved and the number of years a program may have been in existence, with newer programs reflecting slightly higher start-up related costs. The funding amounts ranged from \$200 to \$250 per student served (1976 dollars).

A local school district researcher used the same methodology to estimate bilingual education costs in the Houston ISD and came within \$2 of IDRA cost estimates (Alston, 1977).

The initial IDRA study focused on implementing bilingual programs in Texas. Later replications of the study by IDRA included analyses of bilingual programs costs in the states of Colorado (Robledo, Zarate & Guss-Zamora, 1978) and Utah (Guss-Zamora, Zarate & Robledo, 1979). These later two studies determined that, in addition to the basic costs identified in the Texas study, Colorado and Utah costs included additional resources needed to recruit and retain bilingual teachers, a resource much more available in Texas than in most other states around the country. Costs in these two additional states reflected a similar pattern, though totals tended to vary slightly based on school finance operational differences unique to each state. While the Texas study was limited to grades kindergarten through six, the Colorado and Utah studies included middle school and high school grades and were divided into start-up vs. maintenance costs involved in bilingual program operations, with both states reflecting slightly higher costs for the upper grade levels.

### **Bilingual Funding Weights**

The concept of funding weights was widely accepted in the school finance literature and well described by K. Forbis Jordan (1976). The concept is that add-on costs are identified, cost estimates for those features are developed, and those total costs are then converted to a percentage of the educational costs attributable to "regular" non-special population students.

An advantage of converting a dollar-based cost estimate to a funding weight is that future increases in the level of funding over time can be automatically based on the cost increases provided for regular education programs. Since the 1970s, many states have turned to weighted student formulae.

### **State Bilingual Education Funding Variations**

State funding levels and the mechanisms for delivering funding to support instruction specifically targeted for ELLs have historically varied – and varied widely. As referenced above, early survey research on funding mechanisms and related dollars allocated to school districts to provide specialized instruction to ELLs was conducted by the Education Commission of the States in 1982. In that study, the author reported that funding allocations varied from less than \$100 to several thousand dollars per student, and the funding approaches used varied extensively from state to state (McGuire, 1982).

For example, some states provided additional personnel units (Louisiana, Minnesota, Wisconsin, among others) to local education agencies providing bilingual education to their ELL students. Other states provided a flat grant amount per student (Arizona, Iowa, Colorado). Still others provided funding through weighted pupil mechanisms (New York, New Jersey, New Mexico, Massachusetts). Some allocations were based on state-developed cost estimates of what was required to provide services to ELL students in that state.

A review of the great variance in approaches suggests that the funding levels in many states were either arbitrarily set or based on some variation of approaches used in that state's school finance system. Likely, the funding levels for different bilingual education approaches used also were influenced by the extent of language-minority influence in state policymaking and state's support for or opposition to cultural and language diversity in their respective areas.

The state of Texas' funding of bilingual education has reflected a combination of both flat grant and pupil weighted funding approaches. Despite its large number of language-minority students, Texas did not begin to provide funding for bilingual education programs until legislation allowing voluntary implementation was adopted in 1975. In fact, it was illegal to provide instruction in any language other than English until the prohibition was repealed in 1973.

When the Texas bilingual policy was first adopted, the funding amount was arbitrarily set at \$25 per LEP student served in the program. Litigation in 1981 spurred the state's passage of Senate Bill 477, which mandated bilingual education and/or ESL programs at the elementary level and ESL programs at the secondary level for all school districts with 20 or more LEP students in one language group and in one grade level and increased state funding to \$50 per student served.

While Texas provided what was considered minimal program funding, other states allocated substantially more money. For example in 1980-81, Arizona allocated \$670 per LEP student, Illinois provided \$428, Wisconsin provided \$686 and Massachusetts allocated \$1,247 (McGuire, 1982).

A 1984 school finance working group recommended an add-on weight of 40 percent based on actual costs. Texas legislators chose to fund the program at lower amounts than those suggested by research. The 10 percent weight assigned to students served in state bilingual programs remained unchanged to effectively implement the state-mandated programs.

This arbitrary approach to funding these programs is not unique to the state of Texas. Many state funding policies, including funding for bilingual education, often are arbitrary, based on revenue currently available or based on which key political leaders are willing to allocate for the program in their respective state.

### **Later Cost Studies of Bilingual Education**

A later survey and related analyses conducted by Bruce Baker and Paul Markham (2002)

indicated that state funding levels and approaches continued to vary widely around the country, despite an emerging recognition that funding levels should not be as disparate for reasons other than instructional model variation and state-specific factors, such as teacher salaries, etc. In their study, Baker and Markham report that states continue to fund ELL-targeted instruction in a variety of ways ranging from flat grants based on ELL student counts to providing funding for additional personnel units in state formulae. Some states continue to use varying ELL student weights that range from 0.10 in Texas to 0.50 in New Mexico.

In a later analysis of ELL student add-on funding using common core data, the authors conclude that, among the 12 states whose data was reviewed, 50 percent provided funding considered *adequate*, 50 percent provided funding that could be defended as *rational*, and 33 percent were considered *equitable*. According to their analysis, Texas falls into the *not adequate* category. (Baker & Markham, 2002)

Students of state school funding formula recognize that, while the weights may look similar, the actual revenue produced by their use may vary greatly since it may be applied to very different base funding amounts or, as in Texas, may be calculated on the basis of “adjusted state aid” per student (includes adjustments for such costs as district size or cost of local labor markets), which in the case of Texas increases the allotment per student used to calculate weighted funding.

### **Arizona’s Bilingual Education Cost Study**

Later studies were driven by ongoing school finance litigation that challenged the *adequacy* level of funding provided to local school districts by their respective states. In some of the challenges, costs for special populations include add-on costs for serving ELL students.

The most recent cost analyses related to ELL students have emerged out of Arizona. As part of ongoing litigation related to provision of services needed for ELL students in Arizona, a federal court judge mandated a study of add-on costs associated with providing required service for ELL students in that state. The study was conducted by the National Conference of State Legislatures (2005) and relied on input from expert state and national “judgment” panels to identify critical program elements.

The NCSL study concluded that the “incremental” ELL student costs – those costs over the costs required to provide instruction to non-ELL students – ranged from \$2,571 for high-need elementary level ELLs to a low of \$1,026 in additional costs for low-need high school level ELL students. The Arizona legislature and the federal courts are currently in the midst of this confrontation and, though additional funding was provided for Arizona ELL students, the allocations were not based on the state-funded study.

### **Colorado ELL Add-on Cost Study**

In 2011, Augenblick, Palaich & Associates conducted a cost study focused on resources needed to meet Colorado education standards and requirements. The authors used a professional judgment panel approach that took into account existing state factors and subsequently determined the costs associated with meeting those requirements.

These cost estimates were based on what the professional judgment panels considered essential resources needed to help schools meet the state standards and requirements and are consistent with add-on cost factors identified in other similar studies, including Texas-based research conducted by IDRA. Among major add-on cost factors were additional funding needed to create smaller class sizes, including additional staff to support students with special needs;

allocations for professional development to help teachers upgrade skills to meet higher state expectations; coaching for teachers and administrative staff to strengthen ongoing evaluation and leadership efforts; counselors to provide targeted support for students to ensure students were on track for post-secondary success or entry into the workforce; supplemental staff to support specialized teachers, interventionists, psychologist, social workers and family liaisons; extended instructional days for struggling students and extended years for most students; additional learning opportunities, including virtual, distance and online learning opportunities; and the related technologies required to access those resources. Final recommendations of the professional judgment panel included preschool opportunities for all at-risk 3- and 4-year-olds.

For serving ELL students in Colorado in ways that would enable them to meet existing state standards, the authors concluded that the add-on resources were similar for moderate, moderate-large, and very large school districts with cost estimates producing an ELL add-on resource weight of 0.47. Recognizing cost variations produced in school districts that are small and rural, Augenblick also calculated costs and determined that the add-on cost for those small and rural districts (between 495 and 1,000 students) to be 0.564.

### **New 2012 Research on ELL Add-on Costs**

The latest review of costs of providing an “adequate education” for ELL students was conducted by Jimenez-Castellanos and Topper out of Arizona State University in May 2012. In a comprehensive update on the literature, the authors summarize past studies and focus on the work of Baker and Thomas (2006), Kansas legislative staff analyses conducted in 2006, Augenblick, Palace & Associates (2007), Imazeki (2007), and Baker (2009). In their critique of the studies, the authors note that the great differences in how states define adequacy and differences in programs and how they are funded are among other factors that create widely varying estimates of what add-on costs for ELL program should be. What emerges from this new research is the implication that add-on cost studies, though informed by funding practices in different states, must take into account state requirements and definitions of adequacy that are grounded on state-level policies.

The authors state: “Given that nonnative English speakers are the fastest growing school-age population, cost studies – and states – would benefit from refining resource estimates for this segment of students.” (Jimenez-Castellanos & Topper, 2012)

They identified patterns in the literature that they examined: states are not allocating sufficient funds to adequately educate the general K–12 population; ELL students are inconsistently addressed across the cost study literature; and current costing out methods need to be adapted to better account for the diverse and complex needs of the ELL student population.

They conclude: “As the number and diversity of the ELL student population continues to grow, it has become even more important that state educational agencies and legislative bodies ensure that ELLs, and the schools and teachers that serve them, are provided with equitable resources.” (Jimenez-Castellanos & Topper, 2012)

### **Summary and Conclusions on Bilingual Program Funding**

The works by the Education Commission of the States (2012) and by Baker and Markham (2002) provide important insights into how states are funding more current programs. The Colorado and Arizona studies, however, are examples of studies that have attempted to develop more estimates of the costs for providing specialized services to ELL students. Too often, lack of comprehensive information tends to support the long-standing state practice of providing insufficient funding for these programs.



State educational policy decisions to underfund special population programs, such as bilingual education, create numerous problems. The lack of adequate resources makes it difficult for many school districts – but particularly low- and moderate-wealth school districts – to hire specialized teachers, provide the supplementary materials, conduct required assessments and comply with state and federal mandates. Inadequate funding also may contribute to the under-identification of LEP students due to lack of appropriate resources for the required language assessments and specialized teachers or reluctance to identify pupils for whom the state provides inadequate specialized funding. A related impact on school districts is the need to supplement the state's funding with local tax revenue, sometimes without a mechanism for ensuring that school districts receive equitable return for similar tax efforts. For students, the implications of underfunding are inadequate or inappropriate instruction that can lead to persistent under-achievement and eventually contribute to students dropping out of school altogether.

If students are to receive the benefits of bilingual education instructional strategies they need, more attention will need to be paid to the research that provides a basis for funding levels for such programs. Compounding the underfunding of state formulae (weights) used to fund special population programs in Texas despite significant changes in state standards for all students, the funding weight of 0.10 that was adopted in 1984 has remained unchanged since the creation of the system more than two decades ago. Lack of sufficient state funding for programs serving ELL students places school districts in a position of having to either provide a less than adequate support program or cover the gap between state funding and actual costs solely from local tax revenue.

The latest research estimates indicate that bilingual education should have a weight of approximately 0.40, but in Texas, it has been kept at 0.10 (Augenblick, Palaich & Associates, 2011; Robledo Montecel & Cortez, 2008). Additionally, research presented in recent Texas school finance cases has indicated some consensus that add-on costs for serving ELL students in Texas is approximately 40 percent of the regular program allocation.

### **Research on State Funding Formulae for Compensatory Education Programs**

A review of research on the funding of compensatory education programs serving low-income students reflects that the wide variance in funding approaches was evident as early as the 1980s and continues to exist across state funding systems to this day. As was the case with programs serving ELL students, the allocations provided for compensatory education students range from a few hundred to more than a thousand dollars per student with the variance impacted by the level of overall state funding in a state and the mechanisms used to determine district compensatory allocations.

More recent analyses of state compensatory education programs continue to show extensive diversity in the funding approaches used by states to provide funding to provide specialized services to compensatory education students.

According to research conducted by Verstegan, Jordan & Amador (2008) state compensatory education funding approaches continue to vary widely from state to state with little rationale relationship in the amount of add-on funding provided. It appears that, as was the case in the earlier history of compensatory education funding, state allocations are not based on actual add-on cost research but tend to be based on the amount of state funding that state legislatures want to set aside for such programs and a variety of related formulae that drive the monies to school districts perceived as having the greatest need for that additional revenue given their

unique characteristics (urban/rural, high poverty student concentrations, etc.) and the number of low-income students they serve.

According to the Verstegan, Jordan & Amador study, 20 of the 50 states provide no add-on funding for compensatory education. A summary of the funding approaches identified in the 2006 survey of states is provided below. Evident in these data are the fact that compensatory education approaches continue to reflect a mix of flat grants, added personnel units and weights, which themselves vary in amounts from over 100 percent add-on revenue to 10 percent add-on funding in some states.

EXHIBIT 23

State Compensatory Education Funding Update in 2006	
State	Compensatory Education Funding Allocation Method
<b>California</b>	Funding is incorporated into an Economic Impact Aid formula based on the number of ELL students, number of students meeting federal free and reduced-price lunch eligibility criteria, and an additional secondary allocation for concentration for low-income students within a school district.
<b>Colorado</b>	Incorporates a number of sub-categories into its compensatory education category, including: “exceptional” students, migrant students, ELL students, gifted and talented students, students enrolled in dropout prevention programs, and students enrolled in character education and comprehensive health education programs. No specific reference to add-on funding for low-income or under-achieving students is referenced in the program description.
<b>Delaware</b>	Allocates additional Academic Excellence units per 250 students enrolled in the program; also provides extra funding for students at risk of not meeting state standards in core content areas.
<b>Georgia</b>	Provides an add-on funding weight of 1.073 for students enrolled in remedial education. An additional weight of 1.5938 is provided for each student enrolled in alternative education.
<b>Hawaii</b>	Provides add-on funding based on a weight of 0.10 per student meeting federal free and reduced-price lunch eligibility criteria.
<b>Illinois</b>	Uses a two-tier formula based on a three-year average of a school district’s low-income counts. Districts with a concentration of less than 15 percent poverty student populations receive a flat add-on grant of \$355 per poverty student. Districts with above 15 percent poverty student concentrations are funded on a formula: $\geq 15\% - [294.25 + 2700(\text{DCR})^2] \times \text{poverty students}$ . DCR is a district’s concentration ratio of poverty.
<b>Indiana</b>	Low-income student enrollments are one factor considered in providing add-on funding for school districts via a district “Complexity Index.”
<b>Iowa</b>	Add-on funding based on grades one to six enrollment of students eligible for free and reduced-price lunch program; additional funding based on 25 percent or more of combined district cost and 75 percent through modified allowable growth approved by the School Budget Review Committee. Modified allowable growth is an increase in local budget authority funded with balance on hand of a local tax increase.
<b>Louisiana</b>	Provides add-on funding weight for at risk students, defined as students eligible for the federal free and reduced-price lunch program.
<b>Maine</b>	Provides add-on funding of 1.20 percent for students identified as eligible for federal free and reduced-price lunch program.
<b>Maryland</b>	An add-on funding weight of 97 percent of a district’s Regular Foundation Program

	Allocation is provided for each student eligible for federal free and reduced-price lunch program.
<b>Massachusetts</b>	Add-on funding of between \$2,531 and \$2,831 provided based on numbers of low-income students. Additional grant program provides extra support for districts with low test scores.
<b>Michigan</b>	Weight of 11.5 percent of a district's foundation program costs times the number of students identified as eligible for free or reduced-price lunch program (or the state's free or reduced-price milk program).
<b>Minnesota</b>	Add-on weights ranging from 0.0 to 0.6, with adjustments based on concentrations students eligible for the free or reduced-price lunch program in school districts.
<b>Mississippi</b>	Add-on funding of 5 percent of Based Student Costs times the number of free and reduced-price lunch program student enrollment from the prior year.
<b>Missouri</b>	Provides additional funding in districts whose low-income student enrollment exceeds the state threshold percentage, which is based on 25 percent of excess and added to districts' ADA.
<b>Nebraska</b>	Progressive add-on weight of 0.05 to 0.30 based on the concentration of students whose family income is below \$15,000 per household.
<b>New Jersey</b>	No compensatory education aid is designated, but add-on funding per student is provided on the basis of low-income students participating in various supplemental categories including: Demonstratively Effective Program Aid (\$463 per low-income student; Instructional Supplemental Aid – \$369 per low-income student; and High Expectations for Learning and Proficiency.
<b>New York</b>	State compensatory education funding was discontinued. In its place districts receive extra via Sound Basic Education Aid and Supplementary Extraordinary Needs Aid targeting extra funding based on students identified as at risk of not meeting state learning standards.
<b>North Carolina</b>	Provides three types of add-on funding: (1) At Risk Student and Alternative Schools Funding for one school safety officer per high school plus additional revenue with 50 percent based on ADM and 50 percent on enrollment of low-income students – with a minimum of two additional teachers and two instructional positions funded; (2) Improving Student Accountability Program provides \$200 per student for each student scoring below grade level on state assessments; and (3) Disadvantaged Student Supplemental Funding provides additional teaching units based on a ratio of 1 additional teacher per 21 low-income students with some variations in the ratio based on concentrations of low-income pupils in districts.
<b>Ohio</b>	Additional funding is provided on the basis of "poverty based assistance."
<b>Oklahoma</b>	Add-on funding based on 0.25 weighting factor multiplied by number of students participating in a district's free or reduced-price lunch program.
<b>Oregon</b>	Provides compensatory education funding based on teen parents weighted at 0.10; students in poverty at 0.25; neglected and delinquent students at 0.25; and students in foster care at 0.25 of regular program costs.
<b>Pennsylvania</b>	State aid based on a poverty supplement in state funding formulae. Allocations on the district ratios being below a maximum personal income per student maximum or above a minimum MV/PI Aid Ratio value.
<b>South Carolina</b>	Add-on weight of 0.26 for compensatory education and 0.114 for remediation times the number of students enrolled in grades K-12 who fail to meet state readiness standards.
<b>Tennessee</b>	Funding for compensatory education is incorporated into the Classroom Component of the Basic Education Program.
<b>Texas</b>	Add-on weight of 0.20 based on free and reduced-price lunch count; Pregnant

	students included at weight to 2.41.
<b>Vermont</b>	25 percent add-on for students receiving food stamps.
<b>Virginia</b>	Provides funding for additional instructional positions to reduce pupil/teacher ratios from a range of 18:1 to 10:1 based on percentage of district's at-risk students failing state assessments. Three-year average of number of free and reduced-price lunch eligible students used as proxy for at-risk counts.
<b>Washington</b>	Add-on funding of \$228.33 for students identified as deficient in learning basic skills with district allocations based on numbers of students qualifying for federal free and reduced-price lunch program. Districts with percentages over 40 percent receive additional add-on funding. Promoting Student Success provides supplemental funding for students who have not met Washington Assessment of Student standards in 10 <sup>th</sup> grade reading, writing and mathematics.
<b>Wyoming</b>	Compensatory education funding now falls under such programs as extended day, tutorial Saturday schools, which are grant programs outside the funding model.
Verstegen, D. A., Jordan, T. S., & Amador, P. (2007). <i>A Quick Glance at School Finance: A 50 State Survey of School Finance Policies, Volume II: Finance Formulae and Cost Differentials (Vol. II)</i> . Las Vegas: Center for Research and Educational Planning, University of Nevada, Reno.	

In the absence of guidance from other states, it makes sense to try to derive add-on cost estimates from state-specific data. In an analysis conducted by Bruce Baker, Lori Taylor and Arnold Vedlitz (2008) for the National Research Council related to determining add-on costs for providing an adequate education for low-income students, the researchers found add-on cost for compensatory education students in Texas to be approximately 39.5 percent for Texas, with costs ranging from a low of 22.5 percent in Arkansas to a high of 167.9 percent in Minnesota.

Research presented in the *West Orange-Cove* school finance case by experts in this area indicated a general consensus that compensatory education costs in this state average about 40 percent of a school district's regular program costs (Colbert, 2005). This cost estimate adjusts for students in poverty reported in the 2008 study referenced above.

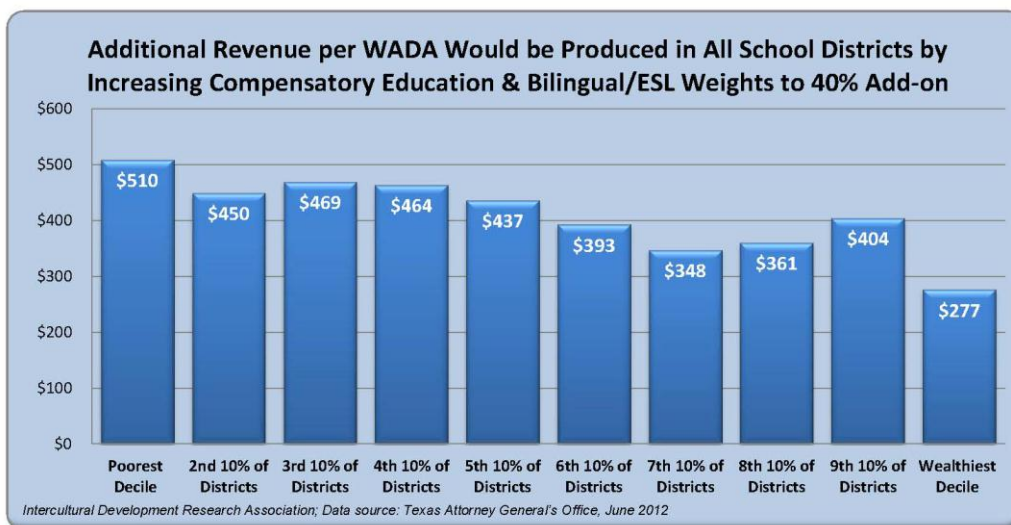
Review of research on the Texas funding system and IDRA's four decades of involvement in Texas school finance reform efforts reveal that, since the adoption of the 10 percent add-on weights for bilingual and ESL programs and the 20 percent add-on weight for state compensatory education programs in 1984, no change in those original weights has been adopted. Research on the rationale behind selection of the state weights for these two programs also indicate that the original weights were not based on actual cost studies but rather on a "funds available" approach. Although several legislative proposals for updating add-on costs for special population programs – including those serving ELL students and low-income under-achieving students in Texas – have been recommended, lack of funding to support such studies has characterized those mandates.

### **Potential Impact of Providing Higher Add-on Funding for Bilingual Education/ESL and Compensatory Education Programs in Texas**

IDRA assessed the impact of increased funding weights for bilingual/ESL and compensatory education programs on the amount of funding that would be available to Texas school districts and the related effects on the extent of equity reflected in the Texas school finance system. For bilingual/ESL students, we calculated the amount of additional revenue that would be generated by increasing the funding weight from 10 percent to 40 percent, using current bilingual education/ESL allocations as the base number for calculating the increase in funding. For compensatory education students, IDRA calculated the total additional revenue that would be provided to schools if the current compensatory education funding allotment was doubled.

The additional revenues resulting from the increased weights were then added to school district revenues produced at current tax rates. The table and graphs below show the impact that increased bilingual education/ESL and compensatory education funding would have on the revenue available to school districts grouped by property wealth per WADA.

EXHIBIT 24



It is recognized that increasing allocations for low-income and ELL students results in increases in school district weighted student counts. The table below shows the effect of the additional funding on the weighted student totals in school districts by property wealth deciles analyzed.

**WADA Would be Impacted by Increased Bilingual Education/ESL & Compensatory Education Weights to 40% of WADA**

School District Groupings	Additional Revenue Produced by Increasing Compensatory Education and Bilingual/ESL Weights to 40%	WADA without Add-On Weighed Funding	Additional Weighted Students Generated by Increasing Compensatory Education and Bilingual/ESL Weights to 40%	Original Average WADA Plus Added Funding WADA
<b>Poorest Decile</b>	\$346,316,077	505,968	173,484	679,452
<b>2nd 10% of Districts</b>	\$210,190,919	373,253	93,892	467,145
<b>3rd 10% of Districts</b>	\$190,347,946	320,988	84,479	405,467
<b>4th 10% of Districts</b>	\$344,869,704	581,963	160,606	742,569
<b>5th 10% of Districts</b>	\$318,039,799	578,353	150,166	728,518
<b>6th 10% of Districts</b>	\$335,849,590	695,078	159,523	854,600
<b>7th 10% of Districts</b>	\$361,003,415	868,926	168,291	1,037,217
<b>8th 10% of Districts</b>	\$469,757,264	1,078,707	224,281	1,302,989
<b>9th 10% of Districts</b>	\$394,444,527	781,425	193,981	975,406
<b>Wealthiest Decile</b>	\$50,173,755	159,964	21,387	181,351

*Intercultural Development Research Association  
Data source: Texas Attorney General's Office, June 2012*

**Funding per Weighted Student Available to School Districts if Bilingual/ESL and Compensatory Education Weighed Funding Were Increased**

IDRA also assessed the effect of increasing the bilingual education/ESL and compensatory education weights on school district funding per WADA. Add-on revenues for and bilingual education/ESL and compensatory education were calculated using existing 2010 district bilingual education/ESL and compensatory education revenue data as reported by TEA, calculating the total additional revenues that would be generated by increasing the compensatory education funding by the amount generated by increasing the weight from 10 percent to 40 percent for bilingual/ESL and from 20 percent to 40 percent for compensatory education. The additional revenue produced was recognized as resulting in increased weights for each district that would receive the additional revenue produced by the higher weights, so the supplemental weighted students produced by the add-on funding were calculated and added to the district's WADA to produce the adjusted WADA that results from the increased funding for the two programs involved in the analyses.

These data suggest that, while increasing the weights is an important improvement to the existing program because it will provide extra revenue to school districts serving these higher need students, that adjustment alone will not serve as an effective mechanism needed to make the Texas funding system more equitable. In our opinion, what is needed instead is greater use of the equalizing features of state-local cost sharing based on district wealth and elimination of outside-the-equalized-system funding: hold harmless and target revenue-based funding.



**District Revenue Would be Impacted by Increased Bilingual Education/ESL & Compensatory Education Weights to 40% of WADA**

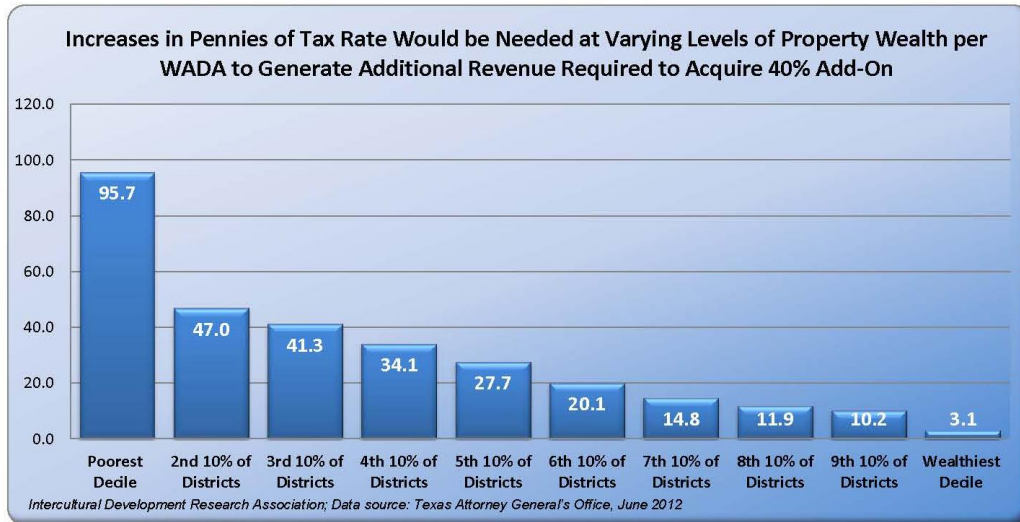
School District Groupings	Total Property Value	New Average Property Wealth per Adjusted WADA	Revenue Generated by 1¢ Tax per Property Wealth /Adjusted WADA	Additional Revenue per Adjusted WADA	Tax Required to Generate Additional Revenue
<b>Poorest Decile</b>	\$36,190,298,454	\$53,264	\$5.33	\$510	\$0.957
<b>2nd 10% of Districts</b>	\$44,695,603,901	\$95,678	\$9.57	\$450	\$0.470
<b>3rd 10% of Districts</b>	\$46,099,481,058	\$113,695	\$11.37	\$469	\$0.413
<b>4th 10% of Districts</b>	\$101,133,134,014	\$136,194	\$13.62	\$464	\$0.341
<b>5th 10% of Districts</b>	\$114,881,505,557	\$157,692	\$15.77	\$437	\$0.277
<b>6th 10% of Districts</b>	\$166,989,530,243	\$195,401	\$19.54	\$393	\$0.201
<b>7th 10% of Districts</b>	\$243,201,838,708	\$234,475	\$23.45	\$348	\$0.148
<b>8th 10% of Districts</b>	\$393,740,239,308	\$302,182	\$30.22	\$361	\$0.119
<b>9th 10% of Districts</b>	\$385,384,444,542	\$395,102	\$39.51	\$404	\$0.102
<b>Wealthiest Decile</b>	\$163,300,550,480	\$900,467	\$90.05	\$277	\$0.031

*Intercultural Development Research Association  
Data source: Texas Attorney General's Office, June 2012*

The data reflecting the impact of increasing funding weights to 40 percent of districts' adjusted basic allotment suggest that such an increase would contribute little to reducing the gap in revenues per student among school districts (see Table 6). The poorest 10 percent of school districts in Texas would gain an average of \$510 per adjusted WADA, while the wealthiest sub-groups would gain an average of only \$277 per adjusted WADA. While not substantially impacting equity in the Texas school funding system, the additional revenue would affect adequacy in funding programs for the two sub-groups of special population students.

A related observation is the notable differences in local tax effort that would be required to increase school district revenues to the same levels produced by increasing the bilingual education and compensatory education weights to 40 percent levels.

## EXHIBIT 27



Analysis of the data indicates that the higher the property wealth of school districts the lower the tax rate needed to generate the extra weighted student revenue – with tax increase efforts ranging from a high of 95¢ per \$100 of property value in the lowest decile of districts, to a low of 3¢ in the highest property wealth per adjusted WADA wealth grouping assuming all additional revenue is generated from local property taxes. This assumes that the state of Texas would provide no additional state funding to help offset the cost of acquiring the additional revenue that would be generated by using a 40 percent add-on weight in these two programs. Given that the state caps school district tax rates, poor districts are prevented from raising the taxes in the table above, while wealthy districts are less affected.

Given the excessive amount of local property tax increases that would be required to generate the additional special program revenue in low property wealth, high-need school districts, it is unlikely that such funding would ever be available without some state role in increasing formulae funding for these programs. Finally, while special populations funding should not serve as an approach to achieving equity, it can be an important facet in ensuring excellence in schooling opportunities for low-income and minority students.

## State and Local School District Attrition and Dropout Rates

In a 2010 report on high school attrition in Texas public schools, IDRA, summarized findings for IDRA's 2010 attrition study, the only continuous annual analysis of state attrition trends in Texas public school districts (Johnson, 2010). The description of the latest IDRA attrition analyses conducted for that year along with trend data developed by IDRA staff dating back to the initial state attrition study conducted in 1986 are presented below.

For the first time in the 25-year history of reporting trends in dropout and attrition rates in Texas public schools, IDRA's latest study shows that less than 30 percent of students were lost from public enrollment prior to graduation with a high school diploma. IDRA found that 29 percent of the freshman class of 2006-07 left school before graduating from a Texas public high school in the 2009-10 school year. The current statewide attrition rate in Texas is four percentage points lower than the initial rate of 33 percent found in IDRA's landmark 1985-86 study.



These findings suggest that the ability of Texas public high schools to keep students in school until they graduate has improved somewhat for students overall in recent years. The current attrition rate for each racial and ethnic group was lower than the rate found in the 1985-86 study. However, the gaps between the attrition rates of White students and rates of Hispanic students and Black students are dramatically higher than 25 years ago.

In 1986, IDRA conducted Texas' first comprehensive statewide study of high school dropouts using a high school attrition formula to estimate the number and percent of students who leave school prior to graduation. That study was the state's first major effort to assess the holding power of Texas public schools. And was conducted under contract with the Texas Education Agency (TEA) and the then Texas Department of Community Affairs.

That first study found that 86,276 students had not graduated from Texas public high schools, costing the state \$17 billion in forgone income, lost tax revenues, and increased job training, welfare, unemployment and criminal justice costs (Cárdenas, Robledo & Supik, 1986).

According to IDRA estimates, since 1986, Texas schools have lost a cumulative total of more than 3 million students.

### **IDRA Attrition Calculation Methods**

Spanning a period from 1985-86, the IDRA attrition studies have provided time series data, using a consistent methodology, on the number and percent of Texas public school students who leave school prior to graduation. These studies are the only source for examining the magnitude of the dropout problem in Texas across more than two decades using consistent methods. They provide information on the effectiveness and success of Texas public high schools in keeping students engaged in school until they graduate with a high school diploma.

The attrition calculations were derived from public school enrollment data in the state education agency's Texas Public Education Information Management System (PEIMS). During the fall of each year, school districts are required to report information to TEA via the PEIMS for all public school students and grade levels. IDRA's attrition studies involve an analysis of ninth-grade enrollment figures and 12th-grade enrollment figures three years later. This period represents the time span during which a student would be enrolled in high school.

IDRA collects and uses high school enrollment data from the TEA Fall Membership Survey to compute countywide and statewide attrition rates by race-ethnicity and gender. Enrollment data from special school districts (military schools, state schools and charter schools) are excluded from the analyses because they are likely to have unstable enrollments or lack a tax base for school programs.

Attrition rates are an indicator of a school's holding power or ability to keep students enrolled in school and learning until they graduate. Along with other dropout measures, attrition rates are useful in studying the magnitude of the dropout problem and the success of schools in keeping students in school. Attrition, in its simplest form, is the rate of shrinkage in size or number. Therefore, an attrition rate is the percent change in grade level enrollment between a base year and an end year.

### **IDRA Attrition Study Results**

***About three of every 10 students (29 percent) from the freshman class of 2006-07 left school prior to graduating with a high school diploma. For the class of 2009-10, 119,836 students were lost from public school enrollment between the 2006-07 and 2009-10 school years.***

***The overall attrition rate declined from 33 percent in 1985-86 to 29 percent in 2009-10.*** Over the past two and a half decades, attrition rates have fluctuated between a low of 29 percent in 2009-10 to a high of 43 percent in 1996-97.

***The overall attrition rate was less than 30 percent for the first time in 25 years.*** After 24 consecutive years of overall statewide attrition rates of 31 percent or higher, the overall statewide attrition rate of 29 percent in 2009-10 is the lowest since the previous low of 31 percent in 1988-89, 1989-90, 1990-91 and 2008-09.

***The attrition rates of Hispanic students and Black students are much higher than those of White students.*** From 1985-86 to 2009-10, attrition rates of Hispanic students declined by 13 percent (from 45 percent to 39 percent). During this same period, the attrition rates of Black students declined by 3 percent (from 34 percent to 33 percent). Attrition rates of White students declined by 44 percent (from 27 percent to 15 percent).

Native American students had a decline of 38 percent in their attrition rates (from 45 percent to 28 percent), and Asian/Pacific Islander students had a decline of 55 percent (from 33 percent to 15 percent). Hispanic students have higher attrition rates than either White students or Black students. The attrition rate of Asian/Pacific Islander students was the lowest among the racial/ethnic groups, while the rate for Hispanic students was the highest.

For the class of 2009-10, Black students and Hispanic students are about two times more likely to leave school without graduating with a diploma than White students.

***The gap between the attrition rates of White students and of Black students and Hispanic students is higher than 25 years ago.*** The gap between the attrition rates of White students and Black students has increased from 7 percentage points in 1985-86 to 18 percentage points in 2009-10. Similarly, the gap between the attrition rates of White students and Hispanic students has increased from 18 percentage points in 1985-86 to 24 percentage points in 2009-10.

The gap between the attrition rates of White students and Native American students has declined from 18 percentage points in 1985-86 to 13 percentage points in 2009-10.

Asian/Pacific Islander students exhibited the greatest positive trend in the reduction of the gap in attrition rates compared to White students. In fact, rates for Asian/Pacific Islander students were 6 percentage points higher than those of White students but now are equal to the percentage of White students lost to attrition.

***Historically, Hispanic students and Black students have comprised a large proportion of students lost by schools.*** For the period of 1985-86 to 2009-10, students from ethnic minority groups account for nearly three-fourths (71.3 percent) of the estimated 3 million students lost from public high school enrollment.

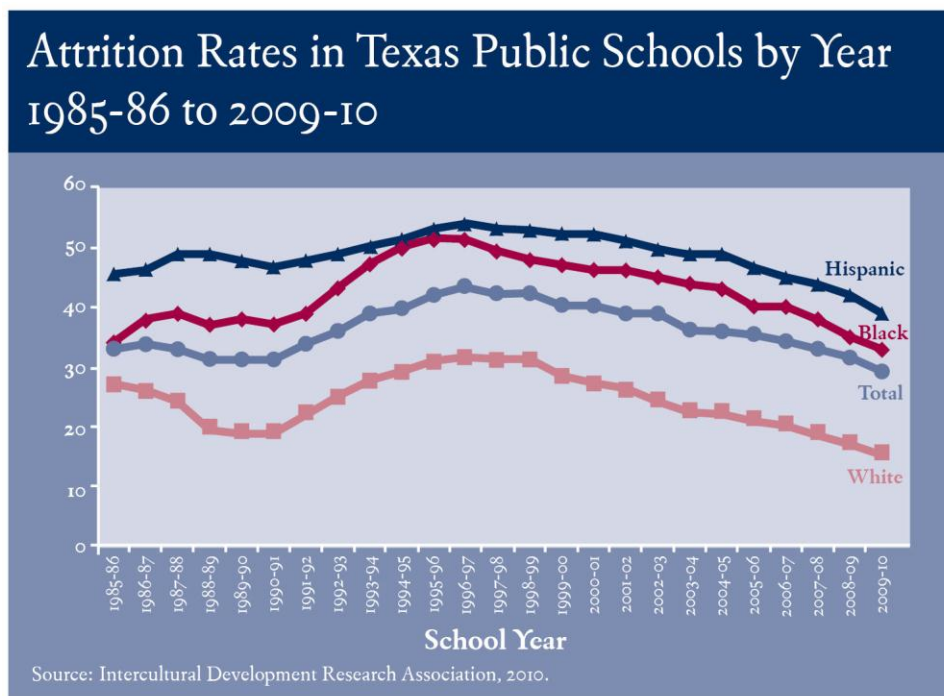
Hispanic students account for 52.5 percent of the students lost to attrition. Black students account for 16.7 percent of all students lost from enrollment due to attrition over the years. White students account for 17.3 percent of students lost from high school enrollment over time. Attrition rates for White students and Asian/Pacific Islander students have been typically lower than the overall attrition rates.

***The attrition rates for males have been higher than those of females.*** From 1985-86 to 2009-

10, attrition rates of male students declined by 6 percent (from 35 percent to 33 percent). Attrition rates for females declined by 22 percent from 32 percent in 1985-86 to 25 percent in 2009-10. Longitudinally, males have accounted for 56.8 percent of students lost from school enrollment, while females have accounted for 43.2 percent. In the class of 2009-10, males were 1.3 times more likely to leave school without graduating with a diploma than females.

The graph below show attrition and dropout rates in Texas over time as reported in IDRA's attrition studies and TEA dropout reports.

EXHIBIT 28



While attrition rates continue to decline in Texas public high schools, the pace has been slow, and persistent gaps among racial and ethnic groups statewide remain greater than in 1986. IDRA's supplemental analysis using linear regression models predicts that Texas will reach an attrition rate of zero in the year 2037. At this pace, the state will lose an additional 1.6 million to 4.1 million students (Montes, 2011).

### TEA Attrition and Dropout Studies

In addition to conducting its own attrition study, IDRA reviews and summarizes the Texas Education agency's attrition analyses conducted on an annual basis as required by state law. The summary below, prepared by IDRA, examines the state annual dropout study findings for the 2008-09 school year, the period immediately preceding the time frame reflected in the school funding data that was previously analyzed.

In July 2010, TEA released its own dropout and school completion report entitled, *Secondary School Completion and Dropouts in Texas Public Schools 2008-09*. This report, as well the three previous reports, use the dropout definition and calculation methods mandated by the National Center for Education Statistics (NCES). (Texas Education Agency, 2010)

The 2008-09 TEA report *shows a 2.0 percent annual dropout rate for grades seven through 12, and a rate of 2.9 percent for grades nine through 12.* According to TEA, the reported number of school dropouts for grades seven through 12 declined from 45,796 in 2007-08 to 40,923 in 2008-09, a decrease of 10.6 percent. The annual dropout rate declined from 2.2 percent in 2007-08 to 2.0 in 2008-09, a decrease of 9.1 percent.

### **TEA Attrition Rates**

The attrition rate for the class of 2009 (grades nine through 12) was 28.6 percent – the same as for the class of 2008.

The NCES definition mandated by the 78<sup>th</sup> Texas Legislature's passage of Senate Bill 186 in 2003 has had a dramatic impact on the dropout counts and dropout rates reported by TEA. Since the use of the NCES dropout definition, the total number of dropouts reported by TEA (for grades seven through 12) increased from 18,290 in 2004-05 to 51,841 in 2005-06 and to 55,306 in 2006-07, but declined to 45,796 in 2007-08 and 40,923 in 2008-09. From 2004-05 to 2008-09, the number of dropouts increased by 22,633 students or by 123 percent. The dropout count was 2.24 times higher in 2008-09 than in 2004-05. [Obviously differences in calculation procedures have produced notable changes in the state's own dropout statistics over time].

Of the 40,923 dropouts in the latest report, 2,203 were in grades seven and eight, and 38,720 were in grades nine through 12. The reported seventh through eighth grade dropout rate was 0.3 percent, while the ninth through 12th grade dropout rate was 2.9 percent.

According to TEA numbers, the annual dropout rates for African American students and Hispanic students in grades nine through 12 were three times higher than the rates for White students. The reported 2008-09 dropout rate for African American students was 3.38 times higher than that of White students, and the rate for Hispanic students was 2.92 times higher than the rate for White students.

*Though TEA indicates that the dropout and school completion rates reported prior to 2005-06 are not comparable to the present, it is clearly apparent that the use of the national dropout definition exposes the weaknesses of dropout counting and reporting in Texas.*

### **District Property Wealth, Revenues and TEA and IDRA Attrition Rates**

To examine whether there was a possible relationship between district property wealth per student and attrition rates, IDRA compiled data and tabulated variations in attrition and dropout rates among sub-groups of school districts grouped by property wealth per WADA.

The graph and table below summarize the simple attrition rates calculated for sub-groups of districts sorted by property wealth per WADA and then grouped by deciles, with each decile containing 103 districts (except for the 10<sup>th</sup> decile, which includes 97 school districts). TEA calculates districts' simple attrition using a formula that subtracts a district's 12<sup>th</sup> grade enrollment for a given year from the district's ninth grade enrollment from three years prior to determine changes in the number of students enrolled in a districts ninth grade cohort over that period. It then divides the historical change in enrollment for the cohort by the original ninth grade enrollment figure to produce a simple attrition rate for the district.

The agency points out that the district's simple attrition rate is not the equivalent of its dropout rate, since it does not attempt to account for the change in the number of ninth graders versus 12<sup>th</sup> graders in that school three years later.

EXHIBIT 29

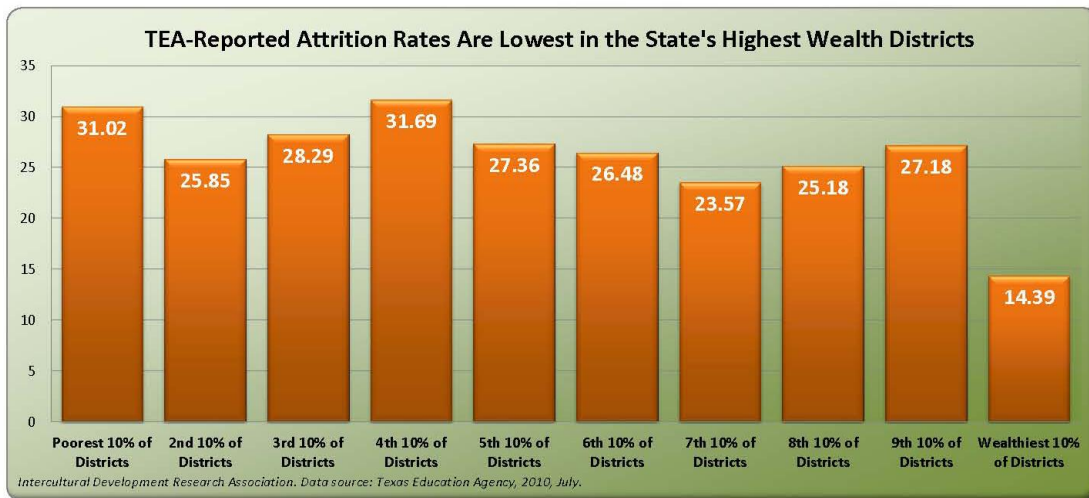


EXHIBIT 30

TEA Reported Attrition Rates Vary by School District Grouping		
School District Groupings	Group Average Property Wealth per WADA	Group TEA Simple Attrition Rate
<b>Poorest Decile</b>	\$102,781	31.02%
<b>2<sup>nd</sup> 10% of Districts</b>	\$167,542	25.85%
<b>3<sup>rd</sup> 10% of Districts</b>	\$204,275	28.29%
<b>4<sup>th</sup> 10% of Districts</b>	\$239,574	31.69%
<b>5<sup>th</sup> 10% of Districts</b>	\$270,632	27.36%
<b>6<sup>th</sup> 10% of Districts</b>	\$317,326	26.48%
<b>7<sup>th</sup> 10% of Districts</b>	\$359,959	23.57%
<b>8<sup>th</sup> 10% of Districts</b>	\$472,173	25.18%
<b>9<sup>th</sup> 10% of Districts</b>	\$657,984	27.18%
<b>Wealthiest Decile</b>	\$1,020,856	14.39%

*Intercultural Development Research Association  
Data sources: Texas Attorney General's Office, June 2012; Texas Education Agency. (2010, July).  
Secondary School Completion and Dropouts in Texas Public Schools, 2008-09.*

TEA suggests the reason for the change in enrollment as being explained by transfers both within and out of state public or private schools and some out of the country, student deaths, and attrition created by numbers of high school students who leave public schools to be home-schooled. While some students no doubt may disappear from a district's ninth grade cohort for these reasons, IDRA has long questioned the weak verification procedures developed by the state to ascertain the status of students who began their ninth grade enrollment in a Texas public high school and are unaccounted for in that same cohort's subsequent 12<sup>th</sup> grade enrollment totals. Specifically, procedures to actually acquire written verification of the re-enrollment of a student who leaves a Texas high school (in another high school) are not required.

With these caveats in mind, IDRA reviewed the simple attrition rates for groups of school districts of varying property wealth per WADA. The data reveal that simple attrition rates vary dramatically when comparing the lowest property wealth (31.02 percent) versus the highest property wealth (14.39 percent) grouping of districts in Texas. The 16.6 point variance between the two groups is much greater than the variance observed between all other wealth decile groupings.

Also noteworthy is the fact that the simple attrition rates for the lowest property wealth decile group was 4.41 percentage points higher than the state average simple attrition, while the highest property wealth decile group had a simple attrition rate that was over 12.22 percentage points below the state average. This notable difference in high school student attrition between the lowest and highest wealth groups is impacted by differences in revenues available per student. No doubt the lack of resources in low wealth school district limits their ability to provide a quality overall educational program and intervention support to students at risk of leaving school prior to graduation.

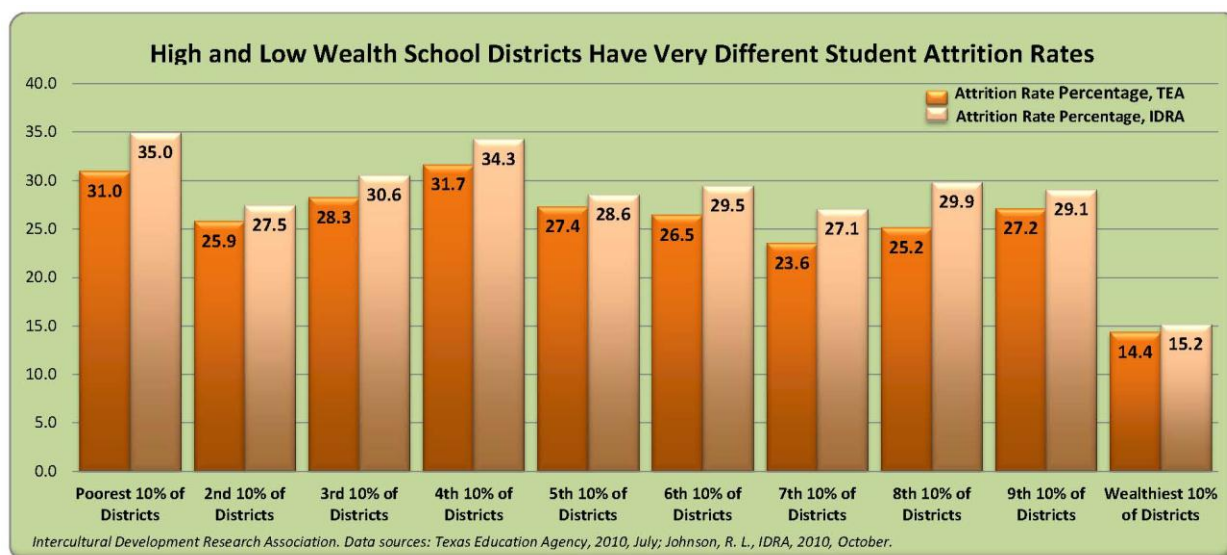
As noted in the earlier sections of this report, IDRA calculates its own attrition estimates in a way that differ from TEA's simple attrition calculations. The primary difference in the two methods lies in the adjustment that IDRA makes to the 12<sup>th</sup> grade enrollment data used to calculate attrition. In the IDRA approach, the 12<sup>th</sup> grade enrollment is adjusted to reflect migration of students into and out of the ninth grade cohort being analyzed, thereby producing a more accurate estimate of the number of student lost to attrition from the original ninth grade cohort being analyzed. While IDRA developed this methodology almost three decades ago, it has been adopted and validated by other researchers across the country since.

EXHIBIT 31

Attrition Rates Reported by TEA & by IDRA are Similar		
School District Groupings	Group TEA Simple Attrition Rate	Group IDRA Attrition Rate
<b>Poorest Decile</b>	31.02%	35.0%
<b>2<sup>nd</sup> 10% of Districts</b>	25.85%	27.5%
<b>3<sup>rd</sup> 10% of Districts</b>	28.29%	30.6%
<b>4<sup>th</sup> 10% of Districts</b>	31.69%	34.3%
<b>5<sup>th</sup> 10% of Districts</b>	27.36%	28.6%
<b>6<sup>th</sup> 10% of Districts</b>	26.48%	29.5%
<b>7<sup>th</sup> 10% of Districts</b>	23.57%	27.1%
<b>8<sup>th</sup> 10% of Districts</b>	25.18%	29.9%
<b>9<sup>th</sup> 10% of Districts</b>	27.18%	29.1%
<b>Wealthiest Decile</b>	14.39%	15.2%
<i>Intercultural Development Research Association            Data sources: Texas Education Agency. (2010, July). Secondary School Completion and Dropouts in Texas Public Schools, 2008-09; Johnson, R. L. (2010, October). Texas Public School Attrition Study, 2009-1: More than 3 Million Students Have Been Lost from Texas High Schools Since 1986</i>		

Review of IDRA's attrition estimate for the same ninth grade cohort used to tabulate TEA's simple attrition for the districts grouped by wealth, the same trend can be observed in the TEA simple attrition calculations was repeated using IDRA's adjusted attrition rates. These data show that the lowest property wealth decile had an attrition rate of 35 percent compared to a 15.2 percent attrition rate in the highest wealth sub-group.

EXHIBIT 32



Attrition rate methodology is recognized as a means for approximating the number of students that are lost from enrollment rosters over time. The state's failure to establish procedures that determine whether a student who is no longer enrolled in one school actually winds up enrolling in a receiving school contributes greatly to the absence of universally accepted estimates of overall state and individual school district dropout rates in Texas.

Attrition data however suggest that there is notable disparity in dropout rates in the highest wealth and lowest wealth school districts. The school district deciles with high attrition rates include large urban school districts (e.g., Austin, Dallas, Houston), suggesting that average property wealth districts could benefit from increased funding that would be generated by increasing compensatory and ELL funding weights. Related research on dropout prevention also suggests that targeted efforts to reduce dropouts can impact the issue at the local level but implementation of dropout prevention and recovery efforts are recognized as affected by school district's access to revenue to initiate and sustain such programs. Disparities in revenue among school districts thus can impact different district's ability to implement effective dropout prevention and recovery programs and underfunding of programs for low-income and ELL students, who drop out of school at rates higher than non-special population students.

## Impact of 2011 Cuts in Funding to Public Schools in Texas

In the 2011 Texas legislative session, state lawmakers cut \$6.4 billion in public education funding. This includes \$2 billion per year for the 2011-12 and 2012-13 school years, about \$1.2 billion to account for enrollment growth and another \$1.2 in supplemental program funding.



In addition to cutting Foundation School Program funding and failing to provide school districts additional revenue due to them as a result of increases in enrollment, the legislature also chose to cut school district funding provided to an array of special programs that target unique student needs or opportunities for school districts to implement innovative approaches to address selected issues. A listing of these special programs as well as the agency description of the purposes of those programs is summarized below. The programs ranged from those designed to strengthen teacher skills in critical need areas to funding for preschool programs.

IDRA acquired a TEA data set of the program cuts and analyzed the total cuts by school districts – sub-grouped by property wealth per WADA. The results of that analysis are presented below.

EXHIBIT 33

<b>Cuts in Special Population Funding Vary by School District Property Wealth</b>		
<b>School District Groupings</b>	<b>Total Special Program Cuts</b>	<b>Average Special Program Cuts per Student</b>
<b>Poorest Decile</b>	\$100,274,102	\$253
<b>2nd 10% of Districts</b>	\$47,831,636	\$124
<b>3rd 10% of Districts</b>	\$37,925,180	\$179
<b>4th 10% of Districts</b>	\$83,891,784	\$187
<b>5th 10% of Districts</b>	\$70,056,869	\$162
<b>6th 10% of Districts</b>	\$98,912,075	\$161
<b>7th 10% of Districts</b>	\$87,756,077	\$127
<b>8th 10% of Districts</b>	\$120,292,071	\$180
<b>9th 10% of Districts</b>	\$112,928,648	\$199
<b>Wealthiest Decile</b>	\$7,125,902	\$19
<b>Statewide</b>	<b>\$766,994,345</b>	<b>\$161</b>
<i>Intercultural Development Research Association Data source: Texas Education Agency, 2012</i>		

While all school districts suffered from special program cuts, the state's lowest property wealth districts experienced on average larger cuts per student at \$253 per student and accounted for 13 percent of special program cuts suffered by all public school districts. By contrast, the state's highest property wealth school districts experienced the lowest cuts per student in all sub-groups at only \$21 per student and accounted for a mere 1 percent of all special program cuts suffered by the state's 1,024 school districts. No doubt the \$200 disparity in lost revenue reflected in special program cuts served to exacerbate funding inequities between the state's lowest and highest wealth districts.

The table below shows the programs that were subjected to funding cuts as adopted by the Texas legislature in 2012



## EXHIBIT 34

Texas Education Agency: State Funded Program Reductions (Excluding FSP)			
Program Description	2010-11 Appropriations	2012-13 Appropriations	Reduction
<b>Teacher Mentor Program</b> School districts may assign a mentor teacher to each classroom teacher who has less than two years of teaching experience. Funding provided to districts may only be used for providing, (1) mentor teacher stipends; (2) scheduled time for mentor teachers to provide mentoring to assigned classroom teachers; and (3) mentoring support through providers of mentor training.	30,000,000	10,000,000	(20,000,000)
<b>Student Success Initiative (SSI)</b> The purpose of these funds is to fund programs targeting the prevention of academic failure.	303,999,300	19,000,000	(284,999,300)
<b>Texas Reading, Math and Science Initiative</b> To provide for the implementation of programs to improve the academic reading, math and scientific performance of students.	16,137,461	0	(16,137,461)
<b>Texas Advanced Placement Incentive</b> The purpose of this program is to (A) Provide subsidies for the Advanced Placement and International Baccalaureate test fees for eligible low income students (B) Reimburse qualifying registration fees for teachers who attend approved AP or IB teacher training sessions (C) Provide enhancement awards based on program performance.	28,400,000	13,800,000	(14,600,000)
<b>Virtual School Program</b> These funds are to provide continuation funding for the Virtual School Network to provide education to students through electronic means.	20,300,000	8,000,000	(12,300,000)
<b>Educator Excellence Awards Program</b> The purpose of these funds is for the District Awards for Teacher Excellence (DATE) initiative to create or continue a system of awards for educators demonstrating success in improving student achievement and educator excellence.	395,562,914	24,000,000	(371,562,914)
<b>Middle School Physical Education and Fitness</b> To support in-school physical education and fitness programs for students in grades six through eight.	20,000,000	0	(20,000,000)
<b>Texas High School Completion and Success</b> The purpose of these funds is to create a new collaborative dropout program or to expand/enhance an existing dropout reduction program by implementing collaboration among local entities to comprehensively reduce the number of students who drop out of school.	44,205,000	0	(44,205,000)
<b>Rural School Technology</b> To provide technology-based supplemental instruction to students in grades 6 through 12.	7,950,000	0	(7,950,000)
<b>School Bus Seat Belt Program</b> Modifies requirement for school districts to have seatbelts on buses purchased after September 1, 2009 such that the requirement applies only to the extent that	10,000,000	0	(10,000,000)

the TEA provides funds for installation of the seat belts.			
<b>FSP-Extended Year Programs</b> The purpose the Optional Extended Year program is to provide students with "additional instructional time" to master the state's challenging content standards and student performance standards. Students served by the program are those who are identified as unlikely to be promoted to the next grade level for the succeeding school year because they do not meet district standards or policies for promotion.	30,600,000	0	(30,600,000)
<b>Disciplinary Alternative Education Program</b> To help defray school district costs and charter schools costs related to maintaining disciplinary alternative education programs.	9,500,000	0	(9,500,000)
<b>FSP-Investment Capital Fund</b> Assist eligible schools to implement practices and procedures consistent with deregulation and school restructuring in order to improve student achievement and to help schools identify and train parents and community leaders who will hold the school accountable for achieving high academic standards.	8,994,956	0	(8,994,956)
<b>Pre-Kindergarten Early Start Programs</b> These funds are delivered in the form of a contract with the UTHSC-Houston for the purpose of maintaining license agreements and access to the School Readiness Certification System which is used to collect data on the academic progress of Pre-kindergarten students.	208,600,000	0	(208,600,000)
<b>Texas High School Project</b> The High School Completion and Success Initiative is designed to provide support to secondary schools implementing innovative programs addressing dropout prevention, secondary school success, and college and workforce readiness and includes such grant programs as Collaborative Dropout Reduction; Math Instructional Coaches; Texas Science, Technology, Engineering, and Mathematics academies; and Early College High Schools.	57,420,000	0	(57,420,000)
<b>LEP Student Success Initiative &amp; Special Projects</b> The purpose of the Limited English Proficiency-Student Success Initiative Grant is to provide intensive programs of instruction for students with limited English proficiency and to provide training materials and other teacher training resources to assist teachers in developing the expertise required to enable students of limited English proficiency to meet state performance standards.	19,400,000	0	(19,400,000)
<b>Teen Parenting Education Programs</b> The Life Skills program for Student Parents grant is designed to reduce school dropouts, increase high school graduation rates, and enhance parenting skills for students, age 21 and younger, who are pregnant or parents at risk of dropping out of high school.	20,000,000	0	(20,000,000)
<b>Totals</b>	<b>\$1,231,069,631</b>	<b>\$74,800,000</b>	<b>\$(1,156,269,631)</b>

Data source: Texas Education Agency, 2012

## Conclusion

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In the closing comments of his 1994 book, *Texas School Finance Reform – An IDRA Perspective*, Dr. José A. Cárdenas prophetically noted: “The Edgewood series of cases has produced a clear and strong statement that the Texas Constitution does require the legislature to provide for equality of access to funds in the school finance system. The most recent *Edgewood IV* appears to have weakened the standard to allow, if not to encourage, further weakening of the school finance system. On the other hand, it is clear that members of the court, as well as the public, realize that, in the long term, the system cannot continue without sufficient funding and equality, and that goals of removing differences between minority and non-minority achievement, reducing dropout rates and increasing overall adequacy in the schools, are matters that must be addressed by the legislature in order to avoid further court involvement.”

**Based on IDRA’s most recent analysis of data on school district revenues, we found that the Texas system of school finance is still inequitable, inadequate, arbitrary and inefficient.** Despite reforms, it continues to be designed in a way that perpetuates inequities in funding – especially among districts at opposite ends of the property wealth per student spectrum. These disparities are substantial. The state does not distribute its funding in ways that reduce those disparities. The state’s own studies show that the gap in revenues available for wealthy school districts has grown as a result of the “reforms” adopted in recent years (Legislative Budget Board, 2009).

The disparities across school districts are exacerbated by the underfunding of education for special population students – in this case students served in bilingual education/ESL programs and those eligible for free and reduced-price lunch-based compensatory education (referred to in Texas as “Accelerated Instruction”) programs. The underfunding is particularly apparent when comparing the additional revenues that would be allocated to the state’s property poorest school districts, which have higher than average concentrations of such students than school districts in the highest property wealth sub-group. Differences in district wealth also directly affect ability to raise the additional funding needed for those students, requiring tax rates that range from 95-cent increases in the poorest school districts to less than 3 cents in the wealthiest.

Disparities in funding per student impact school districts’ ability to hold on to students until graduation. Analysis of data examining student attrition rates across wealth sub-groups indicates that attrition levels in the lowest property wealth school districts are more than two times the rate found in the state’s highest wealth sub-group. Differing concentrations of special needs students, coupled with vast differences in revenue to educate those students are no doubt inter-related.

All of these results suggest that Texas still has a long way to go to achieve the objective of providing equal educational opportunity for all of students. In Texas, the quality of schooling still seems to be markedly affected by the neighborhood in which you happen to reside.

If Texas students are to be provided equitable educational opportunities, we must reinstate features in the funding system that provide for greater equity and ensure that all school districts are vested in that system. The State of Texas must carry out its responsibility to invest the funding needed to ensure that an excellent education is available to all students, rather than just to a small percentage of our children.

## **Appendix A – Full Bio: Albert Cortez, Ph.D., IDRA Director of Policy**

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Dr. Albert Cortez is a nationally recognized expert in school finance, English language learners (ELLs), recent immigrant students and student assessment. Since 1975, his continuous work in these areas provides him with an extraordinary command of the issues and solutions. He joined IDRA in 1975 and has served in various capacities ranging from trainer, evaluator, program director, research and evaluation division director, and as the organization's policy director.

For over three decades, Dr. Cortez has stood for children's rights, as an expert witness in landmark cases, such as *Alien Education Litigation*, *Edgewood vs. Kirby I*; *Edgewood vs. Kirby II*; *Edgewood vs. Kirby III*; *Edgewood vs. Kirby IV* and *Edgewood V*, and before select education committees, including those of the Texas Senate and Texas House of Representatives, and a U.S. Senate Education and Labor subcommittee hearing on public school finance.

Dr. Cortez has provided invaluable guidance and counsel through key appointments serving as state legislative chairperson for the Texas Association for Bilingual Education (1982-1983); the Mayor's Commission on Children and Families (1985-1986); member of the advisory committee for the Texas Accountable Cost of Education Study; chair of the Texas Advisory Group on Assessment of Limited-English-Proficient Pupils for the Texas Education Agency (1993, 1994, 1995); member of the Senate Advisory Committee to the Texas Senate Interim Committee on Funding (1997); and member of the Governor's Advisory Committee on the Development of Adult Education Accountability System (1998).

For more than three decades, Dr. Cortez has also served as a technical advisor and resource authority of legislative action, advising such committees as the Texas Mexican American Legislative Caucus and the Senate Hispanic Caucus. Dr. Cortez advised members of both the Texas House of Representatives and the Texas Senate in the formulation of the state's *Bilingual Education Act* in 1981 and has been extensively involved in the development of school finance reform, dropout prevention, immigrant education, student discipline, state assessment and expanding higher education access policies dating back to 1977. He also served as a research consultant for the National Study on the Status of Education of Recent Immigrants, National Coalition of Advocate for Students.

Dr. Cortez has directed numerous IDRA's initiatives, including its School Finance Reform Project (1976-1981). In this position, he conducted an extensive analysis of financial and program implications of Texas education legislation and state board policies. Instrumental in raising public awareness concerning school finance issues, Dr. Cortez led efforts to provide training and technical assistance on school finance reform to a variety of civic, educational and political groups, to develop and implement statewide public awareness campaigns and to develop non-technical materials on school finance issues. He also coordinated IDRA school finance advocacy activities, including strategy development, preparation and presentation of training materials, organization of school funding reform coalitions, and creation and dissemination of position papers. Dr. Cortez also directed IDRA's project, Creative Collaboratives: Empowering Immigrant Students and Families through Education, through which IDRA coordinated community collaboratives in Houston and El Paso addressing the educational needs of secondary-level recent immigrant students.

A leading researcher of policy decisions and their effects on immigrant education, Dr. Cortez coordinated IDRA's work conducted for the Texas Education Agency and the Texas Governor's Office that studied the impact of the North American Free Trade Agreement (NAFTA) on Texas

public schools. Prior to this, Dr. Cortez participated in an IDRA initiative to conduct one of the first state-level studies of undocumented student enrollment in Texas public schools. His work informed the public policy debate and influenced landmark litigation, such as *Plyler* and *In Re Alien Education*, resulting in improved educational opportunities for immigrant students.

Dr. Cortez coordinated the analysis of educational equity in the Carrollton-Farmers Branch Independent School District. As a site director for STAR Center (Support for Texas Academic Renewal), the comprehensive regional assistance center funded by the U.S. Department of Education to serve Texas (Federal Region 8), he coordinated the organization's work with the national comprehensive centers network, influencing the national and state level impact on special populations.

Leading IDRA's Research and Evaluation Division from 1981 to 1992, Dr. Cortez oversaw and provided technical support to more than 10 major research projects addressing such critical issues as school finance, add-on cost studies, bilingual education, adult literacy, dropouts and causal factors, immigrant education, in-grade retention, and student and school accountability. In 1991, he was the associate director of the Evaluation Assistance Center – Eastern Region (EAC-East), a federally-funded project jointly operated by IDRA and The George Washington University that served a multi-state region, which included Texas and several southern states.

As IDRA's director of policy, Dr. Cortez leads the integration and coordination of national, state and local policy reform efforts positively impacting the education of all students, with special emphasis on minority, low-income, limited-English-proficient and recent immigrant populations. IDRA's work targets policymakers at all levels of government, public and private educational institutions, advocacy organizations, the broader research community, the media, and individual practitioners in education and related fields. Dr. Cortez directs all aspects of the policy work, from providing key information on policy issues, to training on the effective integration of research information and advocacy, and providing technical assistance in identifying policy issues and developing reform strategies.

Dr. Cortez received a doctorate in cultural foundations of education with a support area in educational administration, and his master's degree in cultural foundations of education from the University of Texas at Austin. He earned his bachelor's degree in sociology with a concentration in bilingual education from Our Lady of the Lake University.

He has published extensively, contributing to the knowledge base in his areas of expertise. Selected publications include

- **"The Impact of Plyler v. Doe Upon Texas Public Schools,"** *Journal of Law and Education* (Cárdenas, J., & A. Cortez; Jefferson Law Book Company, 1986)
- ***Power and Perseverance: Organizing for Change in Texas. School Equity: Creating Productive Schools in a Just Society*** (Cortez, A.; Yale University Press, 1998)
- ***The Status of School Finance Equity in Texas – A 2009 Update*** (Cortez, A.; Intercultural Development Research Association, 2009)
- ***Education of English Language Learners in U.S. and Texas Schools – Where We Are, What We Have Learned and Where We Need to Go from Here – A 2009 Update*** (Cortez, A., & A. Villarreal; Intercultural Development Research Association, 2009)
- **"A Policy Shift – From Preventing Dropouts to Graduation for All,"** *IDRA Newsletter* (Cortez, A.; October 2010)
- **"Context as a Significant Factor in Assessing the Prospects for Employing**

**Political Race as a Higher Education Reform Strategy,”** Symposium Proceedings: Building a Multiracial Social Justice Movement (Cortez, A.; *Review of Law and Social Change*, New York University, 2001-2002)

- **“Why Better Isn’t Enough: A Closer Look at TAAS Gains,”** in *American Standards: Quality Education in a Complex World – The Texas Case*, R.A. Horn, J.L. Kincheloe, J.L. Kincheloe (eds) (Cortez, A.; Peter Lang Publishing, Inc., 2001)

Dr. Cortez received the Champion of Equity Award from the Equity Center and the Pioneer Award from the Texas Association for Bilingual Education.

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