

# Texas HB2 Article 7: Sections 7.01-7.19 - Public Education Finance Changes

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## Opinionated Executive Summary: Financial Control Replaces Local Authority

This law fundamentally restructures Texas public education finance to centralize control while creating the illusion of increased funding. Here are the main unintended results:

### Facility Tracking System

Schools now have to report every square foot of every building, creating a large database of school facilities. This changes schools from local resources to state-monitored buildings. In the future, the state may require schools to use their buildings in certain ways.

### Charter School Funding Rules

Charter schools get more money, but only if they meet strict financial rules and performance metrics. This creates a system where funding depends more on following state rules than on meeting the educational needs of students. They should have relaxed the requirements on public schools to have parity between public and charter schools. Instead (predictably) they chose to increase central planning on charters as well as public schools.

### **Commissioner Gains Power Over School Finances**

The commissioner now has the power to change funding formulas without needing approval from lawmakers. This temporary power (expiring in 2027) sets a dangerous example for giving more control over school finances to the executive branch, bypassing the normal democratic process. This is an outrageous power to give a political bureaucrat.

### **Small Schools Get Less**

The extra funding for small districts may seem helpful, but it comes with conditions. The formulas make it hard for small schools to use the funding effectively, forcing them to change enrollment numbers just to meet the requirements, rather than focusing on improving education.

### **Language Programs Fight for Limited Resources**

Language education programs have a statewide funding cap of \$10 million, forcing schools to compete for limited money. This will create competition for scarce resources. Again, creating artificial scarcity.

### **Insurance Costs Create Regional Inequality**

Coastal districts get extra funding to cover insurance costs, which creates a divide between coastal and inland areas. This favors some districts over others, based on where they are located. Good for insurance carriers, bad for school districts.

### **The Biggest Problem: Short-Term Thinking Replaces Long-Term**

These changes may increase funding for some districts, but they take away the power schools have to decide how to spend that money. Districts will rely on state funding formulas that change every two years, making it impossible for schools to plan for the long term. The state decides who gets what money, when, and why.

# Detailed Analysis

## Main Table

Search:

Category	Incentive Created	Intended Result	Codes for Destructive Results We Will Actually Get
All	All	All	All
Facility Usage Report Square Footage Requirement	School districts must annually report square footage of each facility and acreage of land creating comprehensive property database for state oversight	Enable state to track facility utilization and identify underused properties for better resource allocation and planning	C, D, E, F
Facility Usage Report Capacity Enrollment Tracking	Districts must report total student capacity for each instructional facility and enrollment capacity by campus and grade level with current enrollment numbers	Provide transparency about school capacity versus actual enrollment to identify overcrowding or underutilization issues	C, D, E, F
Facility Usage Report Multi-Campus Usage Identification	Districts must identify whether facilities are used by multiple campuses including campus identifiers creating facility sharing transparency requirements	Improve understanding of shared facility usage to optimize resource allocation across multiple campuses	C, D, E, F
Facility Usage Report Facility Type Classification	Districts must classify each facility by use including instructional career technology administrative food service transportation or vacant land	Create comprehensive inventory of facility types to inform state planning and funding decisions for different uses	C, D, E, F
Facility Usage Report Ownership Lease Status	Districts must report whether each facility is leased or owned providing state with comprehensive property ownership and lease obligation data	Establish clear picture of district property ownership versus lease obligations for financial planning purposes	C, D, E, F
Facility Usage Report Public Website Posting	Agency must produce annual public report on school district land and facilities posted on agency website for public access and scrutiny	Increase public transparency about school district property holdings and usage through accessible online reporting	C, D, E, F
Facility Usage Report Security Information Exemption	Commissioner may determine certain facility information creates security risk making it confidential and excluded from public reports	Protect sensitive facility information from public disclosure that could compromise school security and safety	D, E, F
Facility Usage Report Commissioner Rule Authority	Commissioner granted authority to adopt rules for implementation including determining student capacity based on staffing ratios and facility capacity	Provide commissioner flexibility to establish appropriate capacity standards accounting for local conditions and needs	D, E, F
Charter School Funding Basic Allotment Increase	Charter school funding increases from \$125 to \$300 per student in average daily attendance representing significant funding boost	Increase charter school funding to level more comparable with traditional public schools improving financial equity	A, C, D, F
Charter School Funding Performance-Based Restrictions	Charter schools lose facilities funding if assigned unacceptable performance or financial ratings for two consecutive years with limited exceptions	Ensure charter schools maintain acceptable performance standards to receive facilities funding encouraging accountability	A, C, D, E, F

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## Supplemental Tables

Title
All
INCENTIVE CATEGORY ANALYSIS

Incentive Category	Number of Incentives
All	All
Alternative Language Education Dual Language Priority	1
Alternative Language Education Funding Cap	1
Alternative Language Education Method Classification	1
Alternative Language Education PEIMS Reporting	1
Alternative Language Education Spending Restrictions	1
Alternative Language Education Statewide Competition	1
Basic Allotment Formula GYIA Addition	1
Basic Allotment Formula Tax Rate Adjustment	1
Charter School Funding Basic Allotment Increase	1
Charter School Funding Bond Issuance Transparency	1
Charter School Funding Performance-Based Restrictions	1
Charter School Funding Real Estate Certification	1
Charter School Funding Salary Restriction	1
Commissioner Authority Funding Formula Adjustment	1
Commissioner Authority LBB Governor Approval	1

Title
All
<b>NEGATIVE RESULT CODE FREQUENCY</b>

Negative Result Code	Frequency	Percentage
All	All	All
F	52	100
D	51	98.077
E	38	73.077
C	37	71.154
A	11	21.154
B	2	3.846

Title
All
<b>KEY CODED PATTERN FINDINGS</b>

Finding	Description
[All]	[All]
<b>Universal State Control Pattern</b>	Codes C, D, E, F appear together in 48.077% of incentives, showing systematic state control over all aspects of school finance
<b>Administrative Burden Overwhelming</b>	Code E (administrative burden) appears in 86.538% of incentives, drowning districts in reporting, certifications, and compliance requirements
<b>Local Control Elimination Near-Complete</b>	Code F (local control reduction) appears in 96.154% of incentives, nearly eliminating local decision-making authority
<b>Accountability as Control Mechanism</b>	Code D (accountability substitute) appears in 98.077% of incentives, replacing educational judgment with metric compliance
<b>Financial Dependency Pervasive</b>	Code C (state dependency) appears in 80.769% of incentives, making districts completely dependent on state formulas and funding
<b>Competition Strategy Concentrated</b>	Code B (competition) concentrated in language education and resource allocation, forcing districts to compete for inadequate funds
<b>Extrinsic Motivation Strategic</b>	Code A (extrinsic motivation) appears in 26.923% of incentives, particularly in funding increases that come with strings attached
<b>Temporary Powers Set Precedent</b>	Commissioner's temporary emergency powers through 2027 create dangerous precedent for executive control over school finance
<b>Geographic Discrimination Emerging</b>	Regional insurance aid and coastal priorities create geographic winners and losers, dividing state by location
<b>Surveillance State Infrastructure</b>	Facility reporting requirements create comprehensive surveillance system over all district property and operations

Title

## CODED ANALYSIS SUMMARY STATISTICS

Metric	Value
Total Incentives Analyzed	52
Most Problematic Code	Code D (appears 51 times)
Most Frequent Code Combination	C, D, E, F (state control package)
Policy Categories with Code D	51
Policy Categories with Code F	52
Average Codes per Incentive	3.7

## Key List of Likely Negative Results

The evaluation codes are based on these axioms:

- Central planning (one size fits all) degrades everyone's performance
  - Makes nearly every district action a legal matter
  - Robs people of pride in their work
- Efforts at 'accountability' will not improve performance of anyone
- Cooperation within an organization is far more effective than competition

- All incentives work; some promote and some pervert the *intention* of the incentive

Search:

Code	Likely_Negative_Result
A	Decreases intrinsic motivation in favor of extrinsic motivation
B	Decreases cooperation within districts in favor of competition for resources
C	Increases dependency on State funding and bureaucracy
D	Substitutes 'accountability' for improvement of the system people work in
E	Increases district administrative burdens
F	Decreases local control and flexibility
G	Treats people as the 'problem', instead of the system they work in

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## Interesting Counter-Intuitive Implications

Element	Unintended Result(?)
Transparency Creates Opacity	Facility reporting requirements claim to increase transparency but actually create so much data that meaningful oversight becomes impossible, hiding problems in plain sight through information overload
More Money Means Less Control	Funding increases for charter schools, small districts, and technology come with so many restrictions and compliance requirements that districts have less actual control over their resources than before
Temporary Powers Become Permanent	Commissioner's 'temporary' adjustment authority through 2027 establishes precedent for executive control over school finance, making future permanent expansions politically easier to justify
Helping Small Schools Hurts Them	Small district funding increases create artificial enrollment thresholds that incentivize districts to manipulate student counts or resist growth, harming educational quality to preserve funding formulas
Innovation Requires Conformity	Alternative language education 'innovation' funding requires programs to fit into pre-approved PEIMS categories and compete statewide, ensuring only conformist programs that please state officials get funded
Fair Funding Creates Unfairness	Regional insurance aid acknowledges real cost differences but may create resentment between geographic regions, while formula adjustments meant to ensure equity actually lock in existing differences