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 competitionm 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



Supplemental Tables



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			

NEGATIVE RESULT CODE FREQUENCY

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

Title

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KEY CODED PATTERN FINDINGS

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

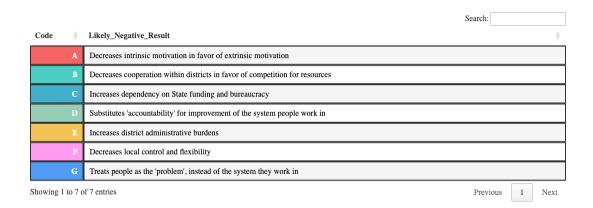
Title	*
CODED A	ANALYSIS SUMMARY STATISTICS
Metric	Value
Total Incentives Analyzed	52
Most Problematic Code	Code D (appears 51 times)
Most Frequent Code Combination	C, D, E, F (state control package)
Policy Categories with Code D	51
Policy Categories with Code F	52
Average Codes per Incentive	3.7

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



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