

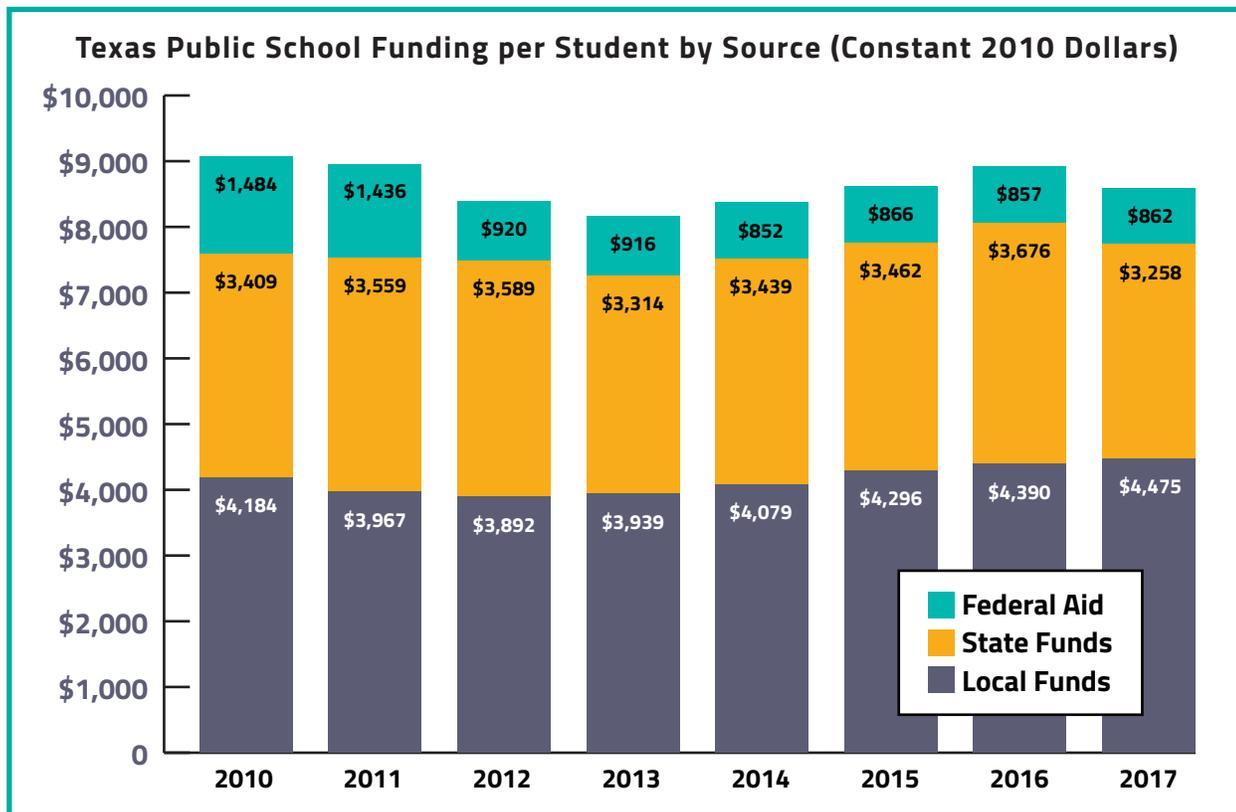
# Financing Public Education in Texas

## EXPENDITURES

In 2015-16, the state of Texas spent over \$60 billion in pre-K-12 public education. Since 2006-07, expenditures have risen by over \$18 billion; however, accounting for inflation and student enrollment growth, per-student expenditures have remained relatively flat.<sup>1</sup>

## FUNDING

School districts in Texas receive funding from three sources: local, state, and federal programs. As the graph below shows, constant-dollar revenue per pupil has declined since 2010 by about \$483. The graph also shows how the proportion of revenue from each source has changed over time, with the share of local funding growing in recent years.



In 2019, it is projected that 55 percent of all funding for Texas pre-K-12 public education will come from local sources, 35 percent from the state, and 10 percent from federal programs. In 2010, local revenue comprised only 46 percent of all public education funding.<sup>2</sup>

The Texas Foundation School Program (FSP) establishes how much funding school districts and charter schools are entitled to receive each year.<sup>3</sup> Each district's funding allotment is determined based on a number of factors, including total student enrollment and student demographics. Local property taxes are directed toward this funding allotment; if local taxes fall short, state funds make up the difference.

School district funding can be broadly divided into two categories: Facilities Funding and Maintenance, and Operations (M&O) Funding. Facilities funding is largely directed toward debt service payments on bonds that have been issued for the construction of new facilities. This allotment makes up a relatively small share of state funds, as it is limited to bond payments and other costs associated with facilities construction.

M&O funding typically comprises the largest share of a school district's budget, as it covers day-to-day expenses such as staff salaries, utilities, and supplies. M&O funding is divided into two tiers: Tier I and Tier II. Tier I entitlement funding represents the state-mandated minimum that a district must receive based on its student population. Districts receive a basic allotment (BA) based on the number of students that are enrolled. The BA for Texas' 2018-19 biennium is currently \$5,140 per student. Of course, every district has unique needs based on its geography and student population: a series of weights and adjustments modify each district's BA to better reflect its circumstances. Some of these district-specific needs include its local costs compared to other areas (Cost of Education Index), its size (small and mid-size district adjustments), and its special student populations (Weighted Average Daily Attendance includes Special Education, Economic Disadvantage, bilingual/ELL, and other student groups).

A second category of funding, Tier II, represents additional M&O funds that districts can raise to supplement their Tier I funds. To receive Tier II funding, districts must choose to tax beyond a minimum rate of \$1.00 per \$100 of local district property value. Tier II funds can be applied to the same expenses that Tier I funds pay for – teacher salaries and utilities, among others – as well as additional programming that isn't mandated by the state, such as full-day pre-K. Each school district receives a guaranteed amount of funding per student for each penny of tax effort above \$1.00.

## **RECAPTURE**

For some districts, local property tax revenues exceed the state-mandated allotment. These districts become subject to recapture under the Chapter 41 statute, meaning that they send excess local M&O tax revenue back to the state. This system is commonly referred to as "Robin Hood."

Recapture, or Robin Hood, was adopted in the mid-1990s as a way to level the playing field between property-wealthy and property-poor districts. When Chapter 41 was adopted, the system affected only a few of the state's 1,000 school districts and collected less than \$200 million. However, more and more districts now qualify for recapture, many of which educate mostly low-income students. Dallas Independent School District, in which 86 percent of students are Economically Disadvantaged, became subject to recapture for the first time in the 2018-2019 school year.<sup>4</sup> The district is expected to lose approximately \$64 million to the state as a result of lower student enrollment, increasing property values, and a tax ratification election.<sup>5</sup> If the Robin Hood system remains unchanged, by 2023, more than 375 districts will send \$5 billion to the state through recapture.<sup>6</sup>

## **CHARTER SCHOOLS**

Charter schools are entitled to Tier I and Tier II state aid, but because they cannot generate a local share through a property tax base, the state funds 100% of the entitlements. Charters are funded using state average funding variables for Tier I, Tier II, and existing debt allotment.

## **TEXAS COMMISSION ON PUBLIC SCHOOL FINANCE**

The Texas Commission on Public School Finance, an independent commission of 13 legislators and education experts, issued a report in December 2018 that proposes overhauling the education finance system. It recommended that funding be tied more closely to current student needs and specific educational outcomes, including 3rd grade reading and college, career, and military readiness. It also identified funds that could be re-allocated to education and noted that the growth of local property taxes has become an increasing burden on families and could become a drag on economic development.

### **Notes:**

- 1) Texas Education Agency, Texas Public School Finance Overview 2017-18, January 2018, [https://tea.texas.gov/Finance\\_and\\_Grants/State\\_Funding/Additional\\_Finance\\_Resources/Texas\\_Commission\\_on\\_Public\\_School\\_Finance/](https://tea.texas.gov/Finance_and_Grants/State_Funding/Additional_Finance_Resources/Texas_Commission_on_Public_School_Finance/)
- 2) Legislative Budget Board, Fiscal Size-Up, 2018-19 Biennium, Figure 152, [http://www.lbb.state.tx.us/Documents/Publications/Fiscal\\_SizeUp/Fiscal\\_SizeUp.pdf](http://www.lbb.state.tx.us/Documents/Publications/Fiscal_SizeUp/Fiscal_SizeUp.pdf)
- 3) Legislative Budget Board, Financing Public Education in Texas Kindergarten through Grade 12 Legislative Primer, November 2000, [http://www.lbb.state.tx.us/Documents/Publications/Primer/Financing\\_Public\\_Education\\_in\\_Texas\\_Kindergarten\\_through\\_Grade\\_Twelve\\_Legislative\\_Primer-Second\\_Edition.pdf](http://www.lbb.state.tx.us/Documents/Publications/Primer/Financing_Public_Education_in_Texas_Kindergarten_through_Grade_Twelve_Legislative_Primer-Second_Edition.pdf)
- 4) Dallas ISD data, <https://mydata.dallasisd.org/SL/SD/ENROLLMENT/Enrollment.jsp?SLN=1000>
- 5) Dallas News, <https://www.dallasnews.com/news/dallas-isd/2018/07/04/property-taxes-staying-isd-record-number-d-fw-districts-give-millions-back-state>
- 6) Texas Commission on Public School Finance, Funding for Impact: Equitable Funding for Students Who Need It the Most, Final Report, December 31, 2018, p.50, <http://bettertexasblog.org/wp-content/uploads/2019/01/Texas-Commission-on-Public-School-Finance-Final-Report-1.pdf>