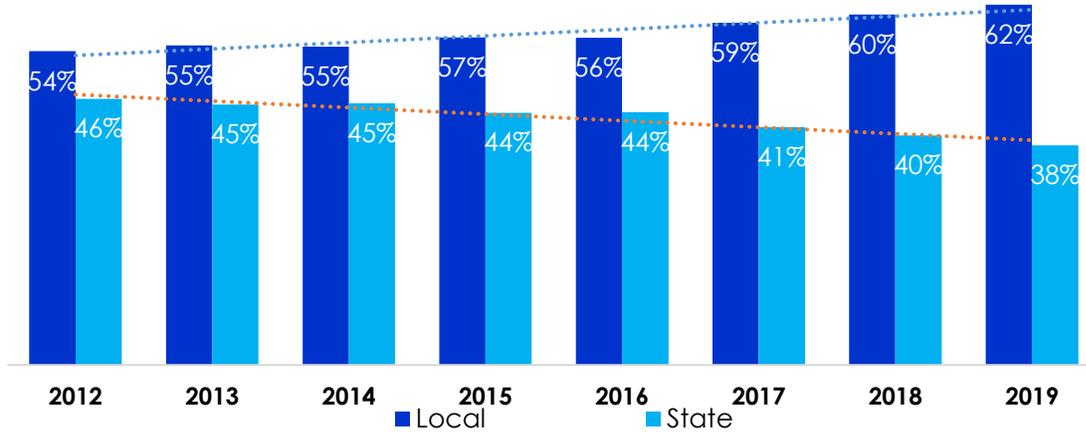


Texas Relies Too Much on Local Taxpayers to Fund Public Education

Chandra Villanueva, villanueva@cphp.org

Texans value public education. Our constitution and state laws decree that providing a quality education for all children is a state responsibility.¹ Texas law also states that the school finance system should be substantially financed through state revenue sources.² However, because the school finance system is outdated and underfunded, lawmakers have substantially shifted the responsibility to fund public education (through the Foundation School Program³) to local property tax payers.

Most Funding for Schools Comes from Local Property Tax Collections



Source: Legislative Budget Board, does not include federal funds outside of the Foundation School Program.

How do we get the state's contribution equal to what local property tax payers are currently contributing?

To make the state and local shares of public education funding even without reducing local contributions would require nearly \$10 billion in additional state funding per year.

2018	State	Local (Includes Recapture)	Average Funding per Weighted Student	State Share
Current Law	\$14,932,813,910	\$24,801,220,164	\$5,845	38%
Basic Allotment at \$6,600	\$24,797,735,523	\$24,771,968,906	\$7,650	50%
Cost to State	\$9,864,921,613			

CPPP estimates are based on Texas Education Agency projection data as of September 2016. Estimates are for illustrative purposes only.

There are several ways to direct funding through the Foundation School Program. For this analysis we focused on increasing the basic allotment, which is the base, per student funding level every school district receives. We estimate the basic allotment would need to increase to \$6,600 per student from

the current amount of \$5,140 to reach an even state-local split for 2018. As a result, the average funding per weighted student⁴ would increase to \$7,650 from \$5,845.

An investment of this size would also decrease the amount of recapture property-wealthy districts send to the state by 44 percent. However, to keep the state and local share equal, under this scenario the legislature would need to increase the basic allotment each year to keep pace with rising property values. Under our estimates the state share would slip to 48 percent in 2019 if the basic allotment stayed at \$6,600 per student.

Why have the state and local shares become so uneven?

The level of funding an individual school district receives is based on a complex set of formulas that adjust for district and student characteristics. Once the funding level is determined, school districts collect local property tax dollars to fund the school. If the district is not able to collect enough funds locally, then the state fills in the rest. If the district is able to collect more than the established funding level, then the excess tax collections are sent to the state to be redistributed to other districts and charter schools – this is known as recapture or “Robin Hood.”

Texas is a growing state, and as a result, property values are growing nearly everywhere. When a district collects more property tax revenue locally, the state is able to contribute less to meet that district’s funding level. The formulas that make up the school finance system are not adjusted for inflation or growth in property values. Many formula elements are thirty years old or are based on outdated data. For example, the Cost of Education Index, intended to adjust for size of the district, teacher salaries in neighboring districts, and the percentage of low-income students is based on data from the 1989-1990 school year.

The state’s over-reliance on local property tax revenue prevents school districts from lowering tax rates, is leading to growing recapture payments, and allows the state to direct dollars otherwise intended for education to other expenses.

¹ The Texas Constitution. Article 7. Section 1. and Texas Education Code. Chapter 4. Section 001.

² Texas Education Code. Chapter 42. Section 001.

³ The Foundation School Program refers to the set of formulas and laws that provide and maintain operation for public education. The Foundation School Program does not include federal funding or grants and special programs funded outside the school finance system formulas.

⁴ The Foundation School Program provides weighted funding for special populations such as English language learners, special education, and gifted & talented. The weights are averaged out to create an apples-to-apples comparison between districts with varying types of students.

For more information please contact Oliver Bernstein at bernstein@cphp.org or 512-320-0222 ext. 114.

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