



Issue Brief

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How Texas Schools Are Funded — And Why that Matters to Collective Success

By Chloe Latham Sikes, Ph.D.

Recently, IDRA facilitated a community series on how schools are funded. Parents, aunts and grandparents wanted to learn about the basic structure of the Texas school finance system, the sources of inequities and why fair school funding is important for the entire community. They discussed why we all pay for public schools, even those who do not have public school students.

This is a common question with a simple answer: Because public schools are essential to our collective success.

Publicly funded schools aren't just for school-age children. They ensure that everyone in our society has access to at least 12 years of education in reading, writing, math, science and history, as well as exposure to the fine arts, languages, physical education and other experiences that shape students' futures. High-quality public schools lead to better employment opportunities, health and economic outcomes, and strong community connections.

High-quality public schools require fair funding to offer trained teachers, rigorous and engaging curriculum and materials, safe facilities and enriching opportunities. When we all contribute to our public schools, we all benefit.

Public education is the state's responsibility.

But Black and Latino students have often experienced unfair funding, even though local communities pay heavily into the public school system. This brief gives an introduction to the Texas school funding system and how racial inequities in educational opportunities and achievement are linked to unfair public school funding.

How the Texas School Funding System Works

School funding in Texas equates to an average of \$12,645 per student from local, state and federal funding sources (TEA, 2021a). The actual number of per-student funding varies by school district and, by some estimates, falls far below the actual cost of educating a student in Texas (Baker, et al., 2021).

Public education is the state's responsibility. Property taxes are the main source of funding for public schools in Texas. Some school districts are in wealthier communities than others. So, they can raise more money with a lower tax rate. And a community's wealth can be influenced by local business investment and by tax incentives for companies that the state provides, meaning all taxpayers across the state cover those costs. Thus, property tax revenue does not belong to the local school district. It is state money that the state assigns school districts to use through a series of formulas.

How School Funding is Calculated

The school funding system provides a starting basic level of funding for all Texas students according to set calculations. The calculations, or "formulae," have been created by state lawmakers over the years and are not based on the actual cost of educating a Texas student. Instead, the calculation begins with preset basic levels – what we call the "basic allotment" – which currently stands at \$6,160 per student (Craven, 2019).

Then there are a series of additional calculations determined by district, school and student characteristics or educational needs. For example, there are additional funds ("weights") for serving students who are designated as emergent bilingual students, require special education services, are dyslexic or live in a community with low incomes, among other designations.

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There are additional funding weights for school district characteristics. Some account for their size and how quickly they have experienced growth, others award more funding for the districts' teacher performance or the number of students performing well on college, career or military readiness indicators.

School District Funding

The process of determining each school districts' funding depends on how much local funding a school district can generate through property taxes and how much the state then needs to provide in addition.

School district funding is determined by the local property value and the school district tax rates. If a district encompasses a property-poor or low-wealth area and thus cannot raise sufficient funds from local taxes to pay for its school services, the state provides additional funding. This is called "Tier One" funding.

School districts can raise their local tax rates to pay for basic educational services as well as for “enrichment” programs, such as extracurriculars, specialized programs, more staff and equipment, or whatever else they decide. Enrichment funds are called “Tier Two” funding.

Districts with high property wealth can generate lots of additional enrichment funding at a relatively low tax rate compared to low property wealth districts. To try to balance this, the state provides some equalization to enrichment funding by guaranteeing certain levels of revenue at specific tax rates (Cortez, 2008). This funding is based on guaranteed levels of revenue per penny of tax effort, though the first six pennies of tax effort have higher yields than the subsequent pennies. These are what are referred to as “golden” (higher yield) and “copper” (lower yield) pennies. Because equalization laws do not apply fully across all pennies, this can be a major source of inequity in school funding.

Sometimes districts with really high-value properties can have low tax rates and still raise enough local funds to not need additional state aid. These are districts with “excess local revenue,” that can then be recaptured to be distributed to districts that cannot raise comparable funds. This is the “recapture” system, deceptively called “Robin Hood.” But districts with excess local revenue can still raise their Tier Two funding tax rates without all of it being subject to recapture.

State Funding

The state provides funding to school districts that cannot raise enough to meet their Tier One funding levels of the basic allotment plus any student and district calculations from the formula. The state provides some equalization for Tier Two funding as well.

State funding comes largely from the Foundation School Fund, and several other major funds in the state budget. Funding comes from oil production taxes, utility taxes, sales and consumer taxes, interest on state funds, and the lottery system. The state also redistributes the extra income from districts in wealthy communities. These districts send their excess funds back to the state, which is how the state redistributes recaptured local funds to lower-property wealth districts to ensure equitable funding levels across the state (Kring Villanueva, 2022). This is an essential part of creating fair school funding across Texas’s school districts.

Federal School Funding

Federal school funding follows its own formulas and does not affect the state and local shares of the school finance system. Federal funding often comes through grants to the state as determined by law, such as through the *Every Student Succeeds Act* (ESSA), *Individuals with Disabilities Education Act* (IDEA), and specific federal programs (e.g., Head Start, Full Service Community Schools). In Texas, federal funding accounts for about 8% of all public school funding (Legislative Budget Board, 2022). The exact amount for a school campus depends on their students’ demographic composition, geography, and eligibility for specific grant programs.

Altogether, total per-pupil funding depends on these multiple funding sources. But the exact per-pupil amount and how it adds up for a school district’s resources varies greatly.

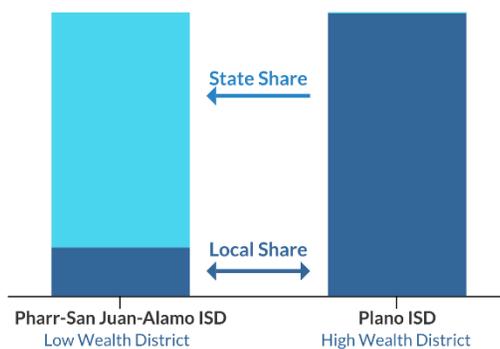
The Proportion of Local vs. State Funding for Schools Varies by School District

Statewide, local school districts account for just over 50% of public school funding. State funding overall accounts for about 49%, an increase after reforms made in 2019 (Legislative Budget Board, 2022).

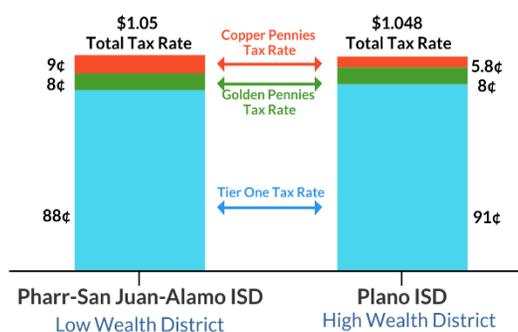
Because the school finance system is based on local property values, district funding heavily depends on how much money school districts can raise locally to meet minimum costs or exceed them. Districts in areas with low property values cannot raise as much local funding, even at high tax rates. Districts in areas with high property values can raise significant local funding, even at relatively low tax rates.

Take the example of the Pharr-San Juan-Alamo ISD (PSJA) in the Rio Grande Valley and Plano ISD in north Texas. PSJA draws on a local property value of \$5.1 billion and an operating tax rate of \$1.05. That's \$1.05 for every \$100 in property tax value. Plano ISD contains property valued at over 10 times that of PSJA – over \$58 billion and has a similar tax rate of \$1.05.

Districts with Lower Property Wealth Raise Lower Local Revenue for Schools



PSJA and Plano ISD Have Similar Tax Rates



But the tax rates mean different tax burdens to PSJA based on its property wealth than for Plano ISD. PSJA's tax rate includes its Tier One rate of 88¢ per \$100 taxable property value, plus 8¢ of golden pennies and an additional 9¢ of copper pennies, which is the maximum allowed by law ($\$0.88 + \$0.08 + \$0.09 = \1.05).

Plano ISD, on the other hand, has a Tier One tax rate of 91¢, plus 8¢ of golden pennies (not subject to recapture), and 5.8¢ of copper pennies ($\$0.91 + \$0.08 + \$0.058 = \1.048 , about \$1.05). In other words, PSJA's tax rate is at its ceiling for Tier One funding, while Plano's tax rate could go up another 4¢. Yet because Plano ISD's property wealth is so much greater than PSJA's, the district can generate upwards of \$376 million in local revenue alone. PSJA, taxing at a maximum capacity, generates only \$46 million.

If you contrast the local proportion of funding with the state proportion of funding between PSJA and Plano ISD, there's a stark difference. PSJA can raise enough for 17.7% of its school

funding, which is not nearly enough to cover the educational costs of its more than 32,000 students. Plano ISD, on the other hand, can generate enough from its local property revenue (tax rate times the value) to fund 100% of the educational costs for its more than 52,000 students. The district receives no additional state aid.

Fairer School Funding is Necessary for Desegregation

Public schools serve the public and are funded by the public. This means that all students have access to free schools, regardless of their race, family income or socioeconomic background, religion, citizenship status, or gender. Free public schools enable us to know that any child can learn to read, write, do math and understand important subjects like science and history. Public schools have not existed forever though, and proposals to drastically change free and open schools for all are constantly knocking on the schoolhouse door.

In the middle of the 19th century, Texas's early public schools were largely established and funded by local communities with inconsistent state support (Berger & Wilborn, 2021). This meant that a wealthy community could contribute a lot to fund a teacher and school for their children, and a community with very few resources had even more limited means to support a school.

In the segregated South, this meant there were no state mechanisms for supporting free Black communities to establish schools (Anderson, 1988). Education remained a withheld opportunity, and a way for white communities to continue to exploit and subjugate Black people. Black Southerners were keenly aware of the power of education for democratic participation and freedom. During Reconstruction following the Civil War, Black Southerners who were elected to their state legislatures established the state-supported public school systems as we know them today. Local funding was still imbalanced and became even more so after white Southerners regained power in the "Redemption" era, after the short and tenuous Reconstruction ended, and white supremacists gained state control in the absence of federal intervention (Gates, 2020; Tyack & Lowe, 1986). Students in public schools in the South then faced unequal and inequitable funding and racial segregation for the next 100 years.

Inequities in school funding contribute to lower student achievement in under-resourced schools.

Advocates and organizers in the mid-20th century began to change this. Public schools played a central role in the rise of the civil rights movement in the 1950s and through the 1960s. In major desegregation court cases, *Mendez v. Westminster* (1947), *Brown v. Board of Education I* (1954) and *Brown v. Board of Education II* (1955), attorneys argued that equal educational opportunities for Mexican American and Black students could not be achieved in racially segregated schools.

Racial segregation is often discussed in terms of Black and white students learning together, but it extends beyond just school enrollment. Because public schools are largely funded by their local communities, racial segregation between neighborhoods and in the housing market affect school funding. Houses in predominately Black and Latino neighborhoods historically have been appraised at low property values based on discriminatory appraisals,

infrastructure and lending practices (see Rothstein, 2017). Desegregating schools, then, requires bringing together students and school funding.

For the past 50 years, education reforms have been entangled in the struggle between realizing civil rights gains for desegregated schools and equalized school funding, and attempts to limit those gains (see Cárdenas, 1997). Yet the gains of the civil rights movement propelled public education to higher-quality schools and opportunities for all students, especially Black and Latino students who had experienced extreme segregation.

In Texas, there is as much as a 25% difference in per-pupil revenue between districts that serve a majority-white population and those serving a majority of students of color: over \$2,600 per student; over \$65,000 per classroom.

Empirical studies demonstrate that decreased racial segregation in school districts corresponds to fairer school funding (Sosina & Weathers, 2019), which influences higher student achievement and lifetime earnings (Jackson, Johnson & Persico, 2016; Lafortune, et al., 2018).

Fairer School Funding Means Better Education for Students

Fairer school funding means that all students have better schools. Because school funding in Texas is based on local property tax wealth and property values often track historical patterns of housing and socioeconomic segregation (Rothstein, 2017), local school funding is very closely aligned with racial segregation. School funding inequities reflect segregation by both race and poverty level. Often this means Black and Latino students attend schools with lower funding resources, and majority white students attend schools with greater funding (EdBuild, 2019; Reardon, et al., 2021).

In Texas, this translates to as much as a 25% difference in per-pupil revenue between districts that serve a majority-white population and those serving a majority of students of color: over \$2,600 per student (EdBuild, 2019). That means that, on average, Black and Latino students in Texas attending school in a racially segregated district have 25% less funds for their education than their white counterparts in the district next door. This can add up to a very real dollar difference of \$65,000 or more per classroom.

All students do better in well-resourced schools. Inequities in school funding contribute to lower student achievement in under-resourced schools. Sometimes this is referred to as the “racial achievement gap” (Stanford CEPA, 2022), when Black, Latino and white students’ scores on educational assessments reveal clear gaps by racial categories.

In Texas, national testing data show that white students tend to score above the national average, and Black and Latino students tend to score below the national average (Stanford CEPA, 2022). State testing data during the pandemic indicated that disrupted learning took a greater toll on Black and Latino students’ scores than white students’ scores, though all students experienced a decline in reading and math scores from the previous testing year (TEA, 2021c).

One of the best ways to raise all students' achievement is to fairly fund their schools. Fairly funded schools can offset the resource disparities due to racial and economic segregation and can raise student achievement.

All students do better in well-resourced schools.

Closing

After our community conversation, the parents and grandparents in the session recognized that their taxes pay for the education of all the children in their community: their children, their peers, and their grandchildren. Public funding is important to support all students.

Students cannot recover from the COVID-19 pandemic or compensate for historical inequities in school funding and resources on their own. Fair funding for the public school system supports the most students for success. And that's the key to a fair, high-quality education system that supports all students through strong public schools that prepare them for college and life so that we all benefit.

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