



# Texas Report

## A Detailed Look at Texas's Funding Policies

## Texas



### Funding Basics

#### Formula Type

Texas has a primarily student-based formula. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students considered in Texas' funding policy are students in certain grade levels; English-language learners); low-income students and students in high-poverty districts; students with disabilities; students enrolled in career and technical education (CTE) programs; and students enrolled in small, mid-sized, and remote districts.

Texas expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' property values. Districts in Texas are permitted to raise and keep additional local revenues for regular district operations.

Supplemental funding for students in certain grade levels; ELLs, low-income students and students in high-poverty communities; students with disabilities; students enrolled in career and technical education programs; and students enrolled in small, mid-sized, and remote districts is generated through the application of multipliers to the base amount.

#### Base Amount

Texas has a fixed base funding amount per student. For FY2020, the per-student base was \$6,160.

This means that an average student with no special needs or disadvantages would be funded at that level. However, in districts where the local maintenance and operations tax rate is lower than the expected rate, the base funding is proportionally reduced (see "Expected Local Share" for an account of how the expected rate is set for each district).



### Local Revenue

## Expected Local Share

Texas expects school districts to contribute revenue to their public schools. The amount each district is expected to raise is based on its property values and estimates of statewide and district property value growth each tax year.

School districts are generally expected to contribute less than \$9.30 for every \$1,000 of assessed local property wealth for the purpose of funding their schools. The precise amounts depends on the rate of property value growth in both the district and the state as a whole. In FY2021, districts were generally expected to contribute \$9.134 per \$1,000 of assessed local property wealth. This rate may be reduced if the state sees a sufficient year-to-year increase in property values or for specific districts seeing year-to-year increases in their local property values. Once the state calculates the total amount of funding necessary to educate students within a district, it subtracts the expected local contribution and provides the difference in the form of state education aid. When a district's expected rate generates more funding than the amount calculated to be necessary, the excess is recaptured by the state and used to support other districts.

When the state's total property tax base has increased in value by more than 2.5% from the previous year, the general expected rate is reduced in accordance with a statutory formula that considers the rate of value growth. In districts where the value of the local property tax base has increased since the previous year but by less than 2.5%, the expected tax rate is limited to the prior-year expected tax rate. In districts where the value of the local property tax base has increased by 2.5% or more since the previous year, the expected tax rate is reduced in accordance with a statutory formula that considers both the current year's and prior year's property values. Further compression is applied only to districts with property growth faster than the statewide average. When that formula produces a calculated rate that is less than 90 percent of the state's highest local expected rate, the district's rate is instead set at its prior-year expected rate.

## Property Tax Floors and Ceilings

Texas sets a ceiling on local property tax rates as well as a level above which voter approval is required. The level above which districts require voter approval depends on that district's expected local tax rate.

Texas school districts require voter approval to impose a tax rate that exceeds its expected rate by more than \$0.50 for every \$1,000 of assessed local property wealth. Even with voter approval, no district may levy a rate that exceeds its expected rate by more than \$1.70 per \$1,000 of local property wealth. A district's expected rate will be reduced if the state as a whole sees a sufficient year-to-year increase in property values or for specific districts seeing year-to-year increases in their local property values (see "Expected Local Share" for a more detailed account of how the expected rate is set for each district). As a result, the maximum levy a district can impose varies based on estimates of statewide property growth each tax year.

School districts do not necessarily retain all of the revenue they raise from these taxes. When a district's expected rate generates more funding than the amount calculated to be necessary to educate students within that district, the excess is recaptured by the state and used to support other districts. For the taxes levied over and above the expected rate, districts retain all the proceeds from the first \$0.17 per \$1,000 of local property wealth levied. Additionally, the state guarantees that this portion of the district's tax rate will have a specific per-pupil yield, and; if the local property tax base is not sufficient to produce this amount, the state will provide the balance. For any taxes levied in excess of \$0.80 per \$1,000 of local property wealth over and above the expected rate, the state guarantees a different, lower per-pupil yield; if the district does not raise this amount locally, the state will provide the balance. However, if the district's taxes yield more than this guaranteed amount, the excess is recaptured by the state and used to support other districts.

## Other Local Taxes for Education

School districts in Texas receive local revenue only from property taxes.

## Grade Level

Texas provides different levels of funding for students in different grade levels by applying a multiplier of 1.1 to the base per-pupil amount for certain students in grades K-3 to generate funding for early learning programs and services.

Students in grades K-3 are eligible for this supplemental funding if they fall into one of two categories: those who are educationally disadvantaged, defined as those who qualify for free or reduced-priced lunch under the National School Lunch Program, and English-language learners who are enrolled in bilingual or other special language programs. Students falling into both categories generate this supplemental funding allocation twice.

This funding may be used only for programs and services intended to improve reading and math performance in grades pre-K-3 and can be used to support the implementation of full-day prekindergarten programs. The multiplier has been expressed as 1.1 for consistency with other states. The funding is provided in an amount equal to 0.1 times the per-pupil base amount, distributed in addition to the student's own base funding.

## English-Language Learner

Texas provides increased funding for English-language learners (ELLs) by applying a multiplier to the base per-pupil amount for these students. This multiplier can be either 1.1 or 1.15, depending on the model of the student's education program.

For English-language learners enrolled in a bilingual education program using a dual-language immersion model, the state applies a multiplier of 1.15 to the base amount. For English-language learners not in dual-language programs, the multiplier is 1.1. Additionally, students in dual-language programs who are not English-language learners generate funding through a multiplier of 1.05.

At least 55% of the funding provided through these allocations must be used to support bilingual education or other special language programs. The multipliers have been expressed this way for consistency with other states. The funding is provided in an amount equal to 0.1, 0.15, or 0.05 times the per-pupil base amount, distributed in addition to the student's own base funding.

## Poverty

Texas provides increased funding for students from low-income households at a level that differs depending on the level of economic disadvantage in the student's area of residence. It does so by applying a multiplier of at least 1.225 to the base per-pupil amount for each low-income student and increasing the multiplier for students from areas with greater levels of economic disadvantage (see "Concentrated Poverty" for more information).

Students are eligible for this supplemental funding if they qualify for free or reduced-priced lunch under the National School Lunch Program. Homeless students are automatically eligible for supplemental funding generated by the application of the highest multiplier: 1.275 times the base amount.

At least 55% of the funding provided through these allocations must be used for programs that support low-income students, including social-emotional learning programs, instructional coaches, and dropout recovery programs. The multiplier has been expressed this way for consistency with other states. The funding is provided in an amount ranging from 0.225 to 0.275 times the per-pupil base amount, distributed in addition to the student's own base funding.

## Special Education

Texas funds special education using a multiple student weights system, providing different levels of funding for different categories of students. Students are assigned to 13 different categories based on the services they receive. Different multipliers are applied to the base per-pupil amount for students in these categories.

The state assigns special education students to 12 categories based on their educational placements and the services they receive. The multipliers for these categories range from 1.15 to 5.0. For small and mid-sized districts, these weights are applied to an inflated base amount (see “Sparsity and/or Small Size” for a description of this adjustment). A 13th multiplier, equal to 1.1, is applied for students receiving services for dyslexia or a related disorder. The state considers the dyslexia adjustment to be separate from the special education funding system. The dyslexia multiplier is applied to the usual base amount, regardless of district size.

At least 55% of the funding provided through the 12 special education multipliers must be used to support the special education program. These multipliers include the student’s own base funding. The dyslexia multiplier has been expressed this way for consistency; however, the funding is provided in an amount equal to 0.1 times the per-pupil base amount, distributed in addition to the student’s own base funding. Along with these allocations, the state also provides specific program-based allocations, including funding for district-run extended-year special education programs and for the education of students who are hospital-bound.

## Gifted

Texas provides increased funding to schools for gifted and talented students by applying a multiplier of 1.07 to the base per-pupil amount for students identified as gifted and talented. The statewide allotment for gifted and talented programming is limited to \$100 million per year.

Texas districts must identify gifted and talented students with strategies consistent with the state plan for gifted and talented education. No more than 5% of a district’s students are eligible for supplemental gifted and talented funding. Districts must use these funds to support gifted and talented programs, including International Baccalaureate and Advanced Placement programs.

Once gifted and talented education funds are allocated to districts, the state board of education may use up to \$500,000 of the remaining funds to support various academic and enrichment programs. If the amount of state funds for which school districts are eligible exceeds the amount appropriated in any year for gifted and talented education, the commissioner will reduce each district’s allocation by the same percentage.

## Career and Technical Education

Texas provides increased funding for career and technical education (CTE) programs in two ways: by applying to the base per-pupil amount multipliers that vary depending on the course program and level of rigor, and through a flat allocation per student enrolled in certain classes and schools.

The amount of supplemental funds Texas provides increases based on whether the CTE course is an approved program of study and on the course sequence and level of rigor. Texas applies a multiplier of 1.1 to the base per-pupil amount for each full-time-equivalent student in grades 7-12 participating in a CTE course that is not in an approved program of study, a multiplier of 1.28 for each student in level 1 or 2 courses that are part of an approved program of study, and a multiplier of 1.47 for students in level 3 or 4 courses that are part of an approved program of study. For small and mid-sized districts, these weights are applied to an inflated base amount (see “Sparsity and/or Small Size” for a description of this adjustment). The state also provides \$50 for each one of the following in which a student in average daily attendance is enrolled: a school implementing a commissioner-recognized and grant-supported Pathways in Technology Early College High School program, and a school in the New Tech Network that offers project-based learning and work-based education.

At least 55% of the funding provided through these allocations must be used to support CTE programs for students in grades 7-12.

# District Characteristics

## Concentrated Poverty

Texas provides increased funding for districts based on the level of economic disadvantage in the student communities they serve. It does so by applying a multiplier to the base per-pupil amount for each student from a low-income household and varying that multiplier based on the level of economic disadvantage in the census block group where that student resides.

Each census block group in the state is placed in one of five tiers by the commissioner of education based on its level of economic disadvantage. The five tiers are assigned different multipliers, ranging from 1.225 to 1.275. For each low-income student, the multiplier for the census block group where the student resides is applied to the base per-pupil amount to generate supplemental funding for their district. Eligible low-income students are those eligible for free or reduced-priced lunch under the National School Lunch Program. Homeless students are automatically eligible for the highest tier multiplier for supplemental funding.

The level of economic disadvantage in a census block group is assessed based on several data points drawn from the U.S. Census Bureau's American Community Survey. These include the block group's median household income, its percentage of single-parent households, its rate of homeownership, and the average educational attainment of its population. If data are insufficient to assign a block group to a tier, eligible students from that block group receive funding through the lowest multiplier, 1.225. The multipliers have been expressed this way for consistency with other states. The funding is actually provided in an amount ranging from 0.225 to 0.275 times the per-pupil base amount, distributed in addition to the student's own base funding.

## Sparsity and/or Small Size

Texas provides funding for small and mid-sized school districts in the form of a per-student amount that varies based on their student counts. It also provides increased funding for certain small and remote school districts by inflating their student counts to generate extra funding.

Small districts (those with fewer than 1,600 students) and mid-sized districts (K-12 districts with between 1,600 and 5,000 students) receive per-student allotments calculated based on formulas specified in statute; as a rule, smaller districts receive larger allotments. The small-district allotment is further increased if a district has fewer than 300 students and is the only district in its county. Separately, certain small and remote districts receive a sparsity adjustment in the form of an increased student count; this inflated count is the one used to allocate these districts' base funding.

The small and remote districts that receive the sparsity adjustment are those with fewer than 130 students who are at least a 30-mile bus ride from the nearest high school district. The small and mid-sized allotments are received in addition to, and independent of, the districts' base per-pupil funding. However, for the purposes of special education funding and career and technology funding calculations, the base amount to which the multipliers are applied includes both the district's regular base amount and the district's per-pupil small or mid-sized allotment, if applicable. As such, the special education and career and technology multipliers generate more funding in small and mid-sized districts than they do in larger districts.

## Charter Funding

Funding for some charter schools in Texas is calculated based on a formula similar to the one used to calculate funding for traditional public schools, while funding for other charter schools is not subject to a specific calculation.

Like traditional public schools, charter schools authorized by the state commissioner of education are funded by the state through a student-based formula that considers the characteristics of the students they educate. State-authorized charter schools receive state funding that reflects any additional funding generated by students in special programs and need categories. Charter schools authorized by local school districts operate as schools within the district, and funding for them is not subject to a specific calculation.

Some charter schools in Texas receive a share of local tax revenue, while others receive state funding that may be meant to replace local tax revenue. Charter schools authorized by local school districts are part of the authorizing district; they receive funding, including local tax revenue, in the same way as other schools within the district. State-authorized charter schools do not directly receive local tax revenue, but the state provides these charter schools with their entire formula amount, including what local school districts would be expected to contribute.