



Texas Association of School Boards

School Finance: Now what?

How did we get here?

- For years, the state's share of school funding declined, forcing local communities to raise property taxes to provide needed funds.
- In 2006, the State created the target revenue system funded by a margins tax and reduced local property taxes, shifting more of the burden of funding schools to the State. The margins tax never brought in enough to help the State fulfill its responsibility to schools.
- The Legislature has not taken steps to fix this structural problem. The shortfall was obscured by a booming economy one biennium and federal stimulus dollars the next.
- This year when money is tight, the State simply underfunded schools by \$4 billion in the Foundation School Program and by \$1.5 billion in grants.
- Although the State had more than \$6 billion in the Economic Stabilization Fund (Rainy Day Fund) after using \$3.2 billion to close the current budget deficit, they chose not to use it for schools.
- Additionally, the 2006 target revenue model creates inequities in how the funding is distributed to local districts.

What about raising local property taxes?

- Local communities are limited in what they can do to fill the gap in funding left by the Legislature.
- Local property taxes for maintenance and operations are capped at \$1.17. More than 200 districts are at the cap. Other districts have such low property wealth that they can't raise tax rates enough to replace lost state funding.

- If a district wants to raise the tax rate above \$1.04, it must hold a Tax Ratification Election (TRE) to get voter approval for the proposed increase.

What else can be done?

- All districts are cutting costs, finding efficiencies, and streamlining operations.
- As many as half of the state's school districts have dipped into their fund balances to help make ends meet, but that is not a long-term solution. Schools are required to keep a certain level of reserve funds to cover lags in tax collections, slow state payments, and unexpected expenses.
- Most district budgets are about 80% personnel costs—salaries and benefits—so some districts are cutting the number of people employed by the school.
- Some districts are instituting fees for some programs and services.
- Some districts are eliminating programs.

What about the future?

- The Legislature must address the broken school finance system.
- State leaders must make education a priority—which means using available resources to fund it properly.
- It is vital that local community members understand the issues facing public education and communicate their concerns to legislators. Local communities have the power to convince legislators to act sooner rather than later.