



# Total Public Education Funding Levels

## Texas Commission on Public School Finance

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TEXAS EDUCATION AGENCY

JULY 10, 2018

# Public Education Funding

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Funding for Texas public schools comes from three main sources: local school district property taxes, state funds primarily from state sales taxes, and federal funds.

This presentation shows the history of public education funding in Texas and explains what is included in each funding source.

The charts in this presentation combine district-level revenues with state-level expenditures and appropriations for each fiscal year to determine an annual amount spent on public education.

# Main Funding Sources for FY2017

Funding Source	Amount (in millions)	Percent	Amounts include funding from:
State	\$22,053	36%	<p>State Revenue for the Foundation School Program (State Sales Taxes, Motor Fuels Taxes, Lottery, Permanent School Fund, etc.)</p> <p>State Appropriations (Windham School District, ESCs, TRS Supplemental Appropriations),</p> <p>State Expenditures (TEA Administration costs &amp; vendor payments)</p>
Recapture	\$1,718	3%	Chapter 41 Receipts from Local District Property Taxes
Local (Net of Recapture)	\$30,555	51%	Local District Property Taxes (M&O and I&S) net of recapture, as well as other local and intermediate revenue as reported by school districts.
Federal	\$6,289	10%	Federal funds flowed to school districts & payments to TEA vendors using federal funds
<b>Total Public Education Funding</b>	<b>\$60,616</b>	<b>100%</b>	

# What is included in each category?

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Total Statewide State Funding reflect amounts from:

- (1) PEIMS Financial Actual Reports (revenues);
- (2) State receipts and State vendor payments (expenditures);
- (3) Windham School District (State appropriations);
- (4) Regional Education Service Centers (State appropriations);
- (5) Teacher Retirement System (State appropriations);
- (6) TEA administration costs, including certification, assessment fees and interagency contracts (expenditures).

Total Statewide Revenue from Recapture reflect amounts from:

- (1) PEIMS Financial Actual Reports and includes total recapture amounts from property taxes.

Total Statewide Local Funding reflect amounts from:

- (1) PEIMS Financial Actual Reports (revenues) and includes total local tax revenue (net of recapture) and other local and intermediate revenue

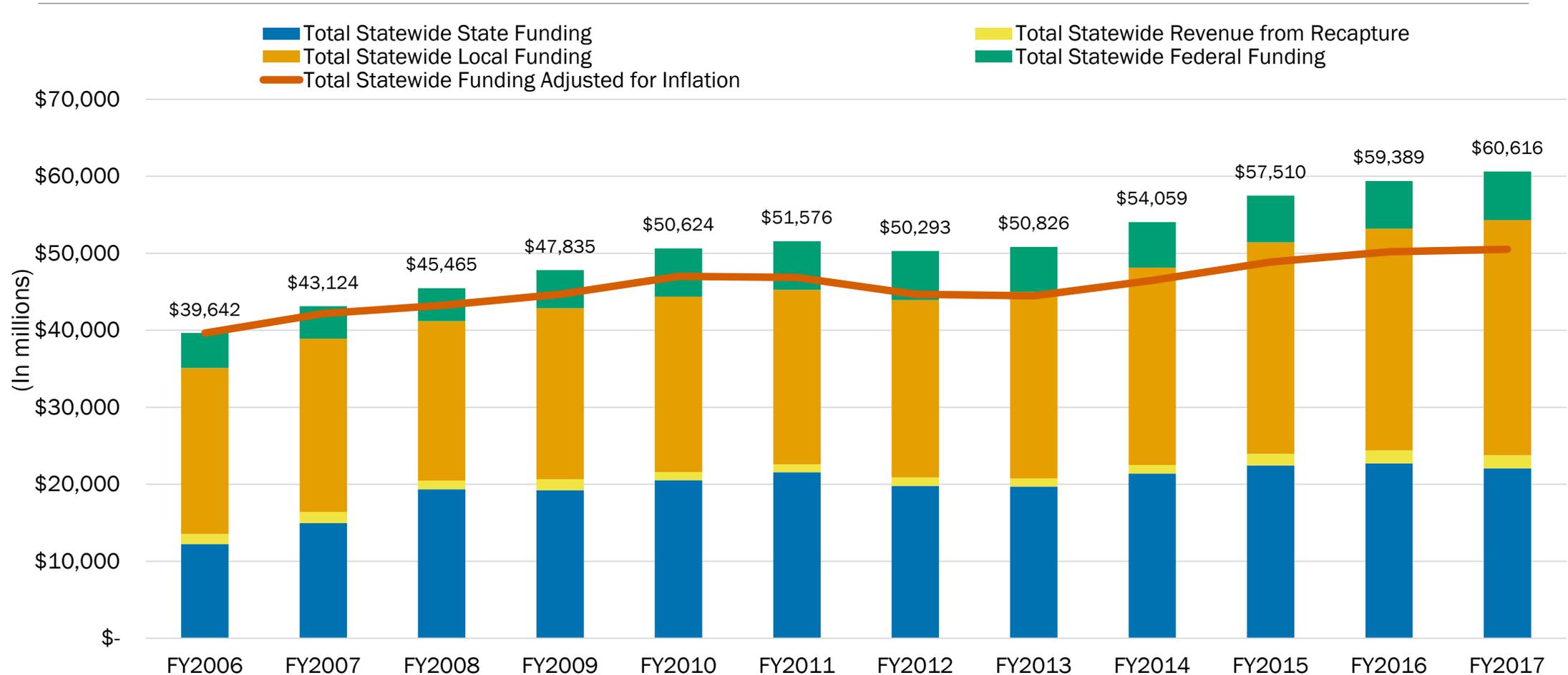
Total Statewide Federal Funding reflects amounts from:

- (1) PEIMS Financial Actual Reports (revenues);
- (2) Federal receipts and Federal vendor payments (expenditures).

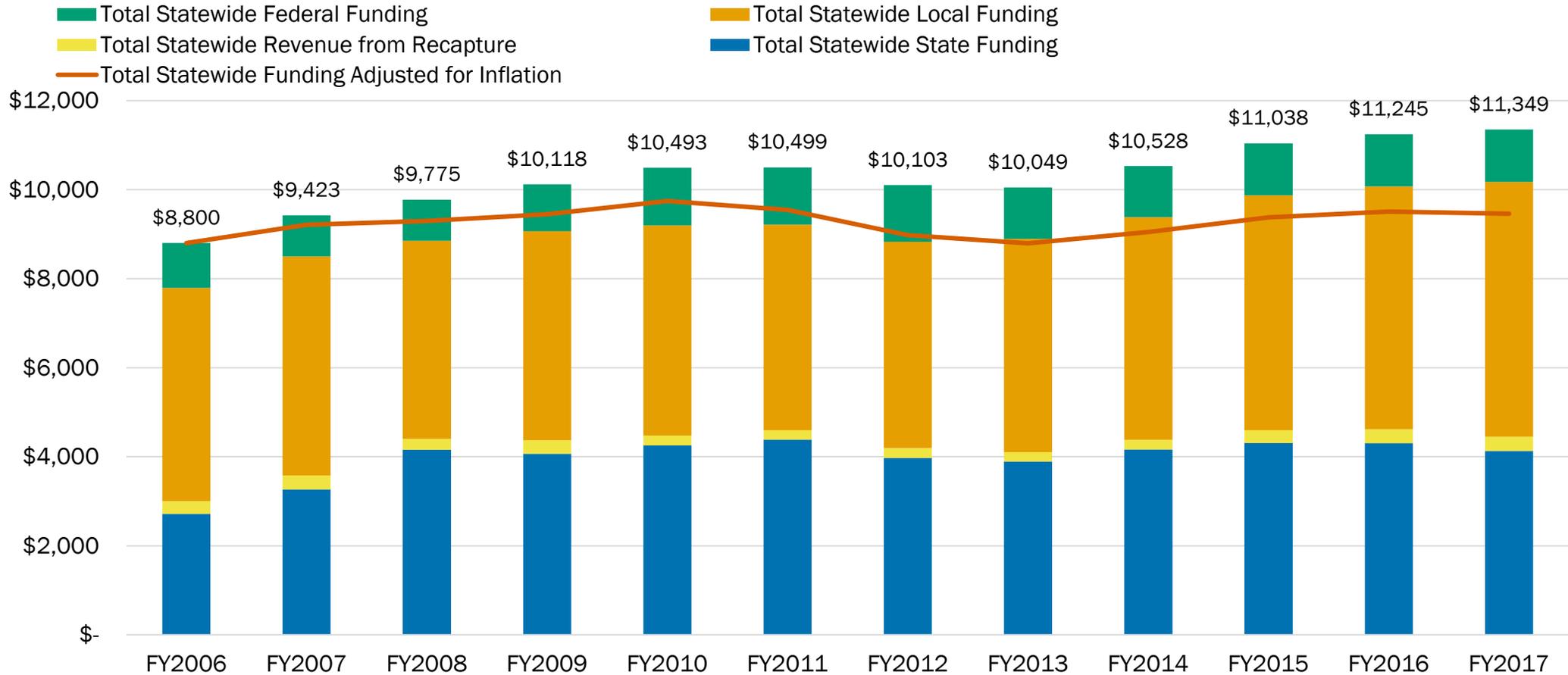
# Total Public School Funding: Breakdown (odd years)

Funding (in millions)		FY2007	FY2009	FY2011	FY2013	FY2015	FY2017
State Funds	Windham Schools (appropriations)	\$58	\$59	\$64	\$48	\$51	\$51
	Regional Education Service Centers (appropriations)	\$21	\$21	\$21	\$13	\$13	\$13
	TRS Supplemental Appropriations (appropriations)	\$0	\$0	\$0	\$102	\$768	\$16
	TEA State Vendor Payments (expenditures)	\$0	\$284	\$357	\$236	\$212	\$151
	TEA Administrative Costs (expenditures)	\$81	\$91	\$94	\$72	\$98	\$96
	State Funding for school districts (net of Recapture) (PEIMS revenues)	\$14,793	\$18,764	\$21,015	\$19,230	\$21,318	\$21,728
	<b>TOTAL STATE FUNDS</b>	<b>\$14,952</b>	<b>\$19,220</b>	<b>\$21,551</b>	<b>\$19,702</b>	<b>\$22,458</b>	<b>\$22,053</b>
Recapture	<b>TOTAL REVENUE FROM RECAPTURE (PEIMS receipts)</b>	<b>\$1,430</b>	<b>\$1,434</b>	<b>\$1,034</b>	<b>\$1,046</b>	<b>\$1,497</b>	<b>\$1,718</b>
Local Funds	<b>TOTAL LOCAL FUNDS</b> Local Funding net of Recapture (PEIMS revenues)	<b>\$22,529</b>	<b>\$22,202</b>	<b>\$22,681</b>	<b>\$24,241</b>	<b>\$27,464</b>	<b>\$30,555</b>
Federal Funds	Federal Vendor Payments (expenditures)	\$0	\$272	\$269	\$267	\$236	\$221
	Federal Funding flowed to school districts (PEIMS revenues)	\$4,213	\$4,708	\$6,041	\$5,570	\$5,854	\$6,068
	<b>TOTAL FEDERAL FUNDS</b>	<b>\$4,213</b>	<b>\$4,980</b>	<b>\$6,310</b>	<b>\$5,837</b>	<b>\$6,090</b>	<b>\$6,289</b>
<b>TOTAL PUBLIC SCHOOL FUNDING (in millions)</b>		<b>\$43,124</b>	<b>\$47,835</b>	<b>\$51,576</b>	<b>\$50,826</b>	<b>\$57,510</b>	<b>\$60,616</b>

# Total annual funding has increased 53% (from \$39.6 billion in FY2006 to \$60.6 billion in FY2017)



# Total funding per enrolled student has increased 29% (from \$8,800 in FY2006 to \$11,349 in FY2017)



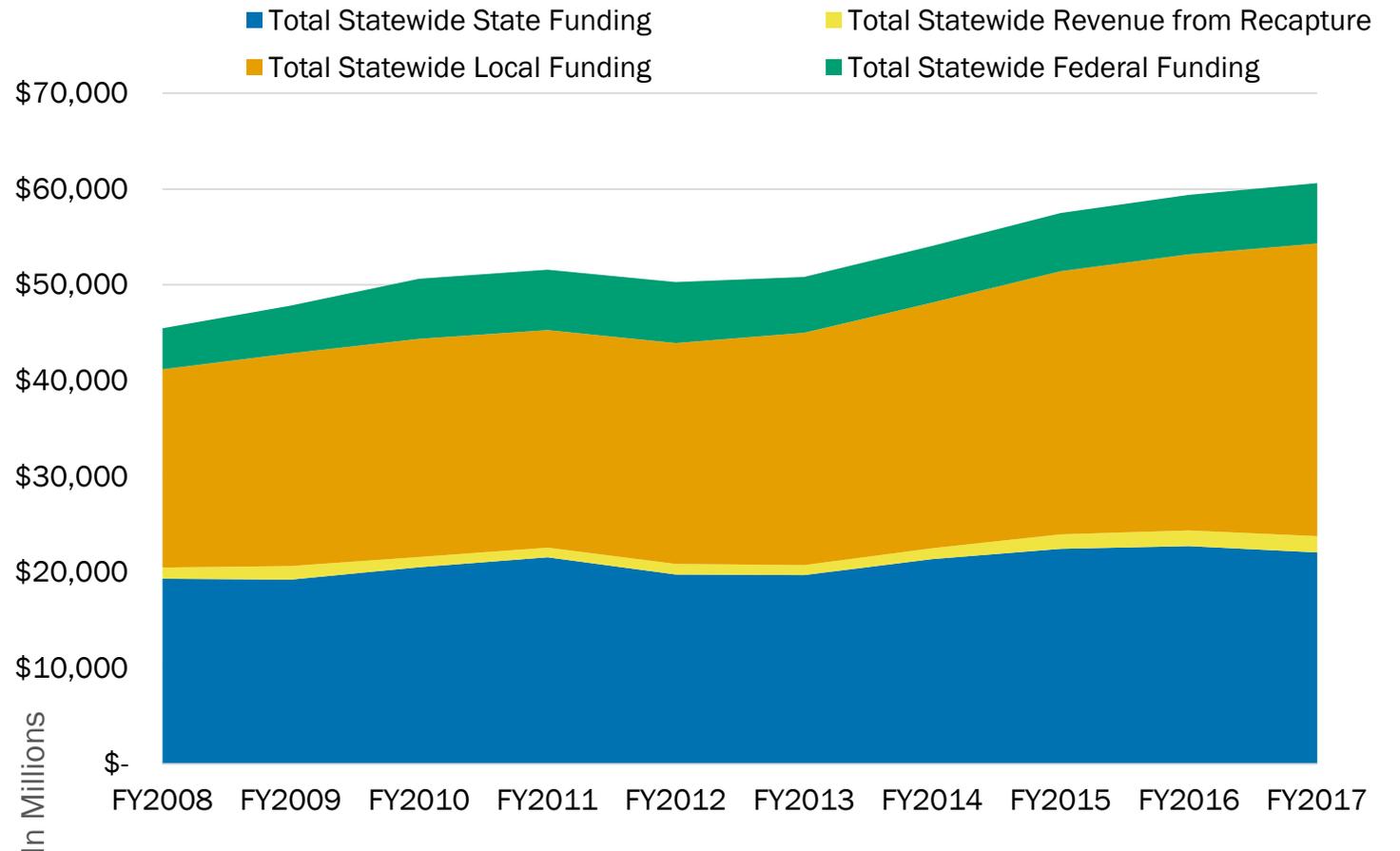
# Trends within each major funding source since FY2008 (when M&O tax rate compression was complete)

**Total Statewide State Funding** has increased 14% from \$19.3 billion in FY2008 to \$22.1 billion in FY2017.

**Total Statewide Revenue from Recapture** has increased 51% from \$1.1 billion in FY2008 to \$1.7 billion in FY2017.

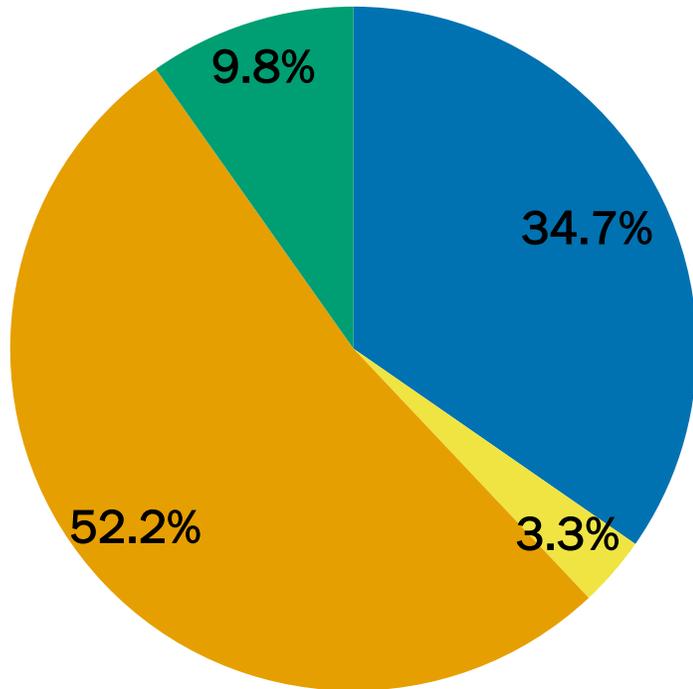
**Total Statewide Local Funding** has increased 48% from \$20.7 billion in FY2008 to \$30.6 billion in FY2017.

**Total Statewide Federal Funding** has increased 47% from \$4.3 billion in FY2008 to \$6.3 billion in FY2017.



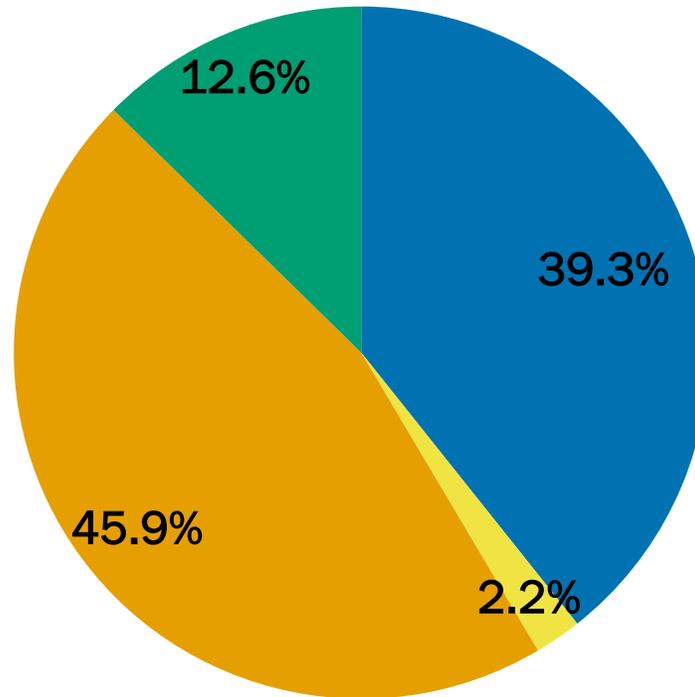
# Comparison of the percentage breakdown of funding sources between FY2007 and FY2017

FY2007



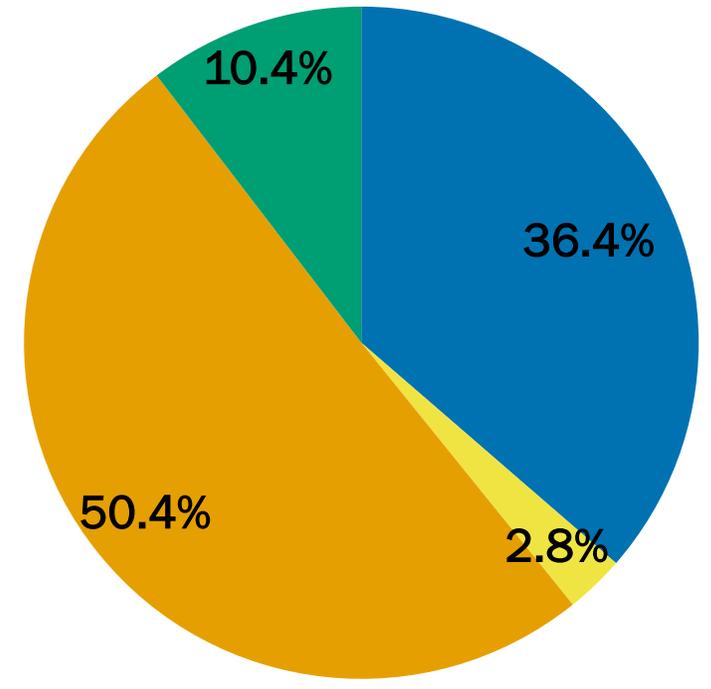
■ State ■ Recapture ■ Local ■ Federal

FY2012



■ State ■ Recapture ■ Local ■ Federal

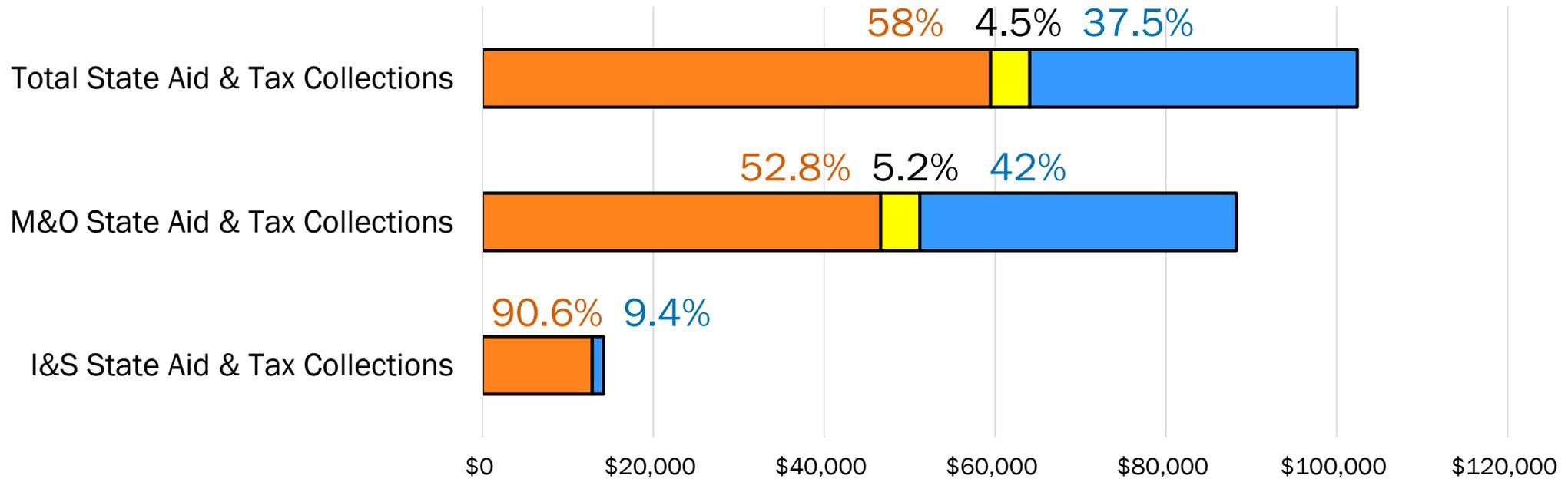
FY2017



■ State ■ Recapture ■ Local ■ Federal

# Projected State & Local Shares under Chapters 41, 42 and 46 of the Texas Education Code for the 2018–2019 Biennium

State and Local Funding Breakdown (in millions)



	I&S State Aid & Tax Collections	M&O State Aid & Tax Collections	Total State Aid & Tax Collections
Local Property Taxes	\$12,854	\$46,634	\$59,488
Recapture (Property Taxes)	\$0	\$4,571	\$4,571
State Aid (Primarily Sales Taxes)	\$1,331	\$37,036	\$38,367

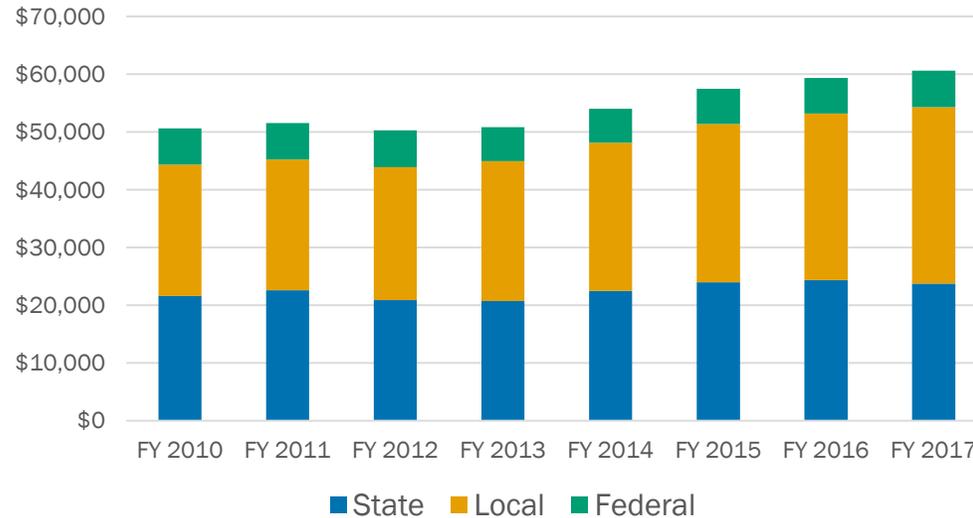
# Why doesn't the LBB use PEIMS data?

As the legislature's budget office, LBB analysis focuses on the state budget, not district expenditures.

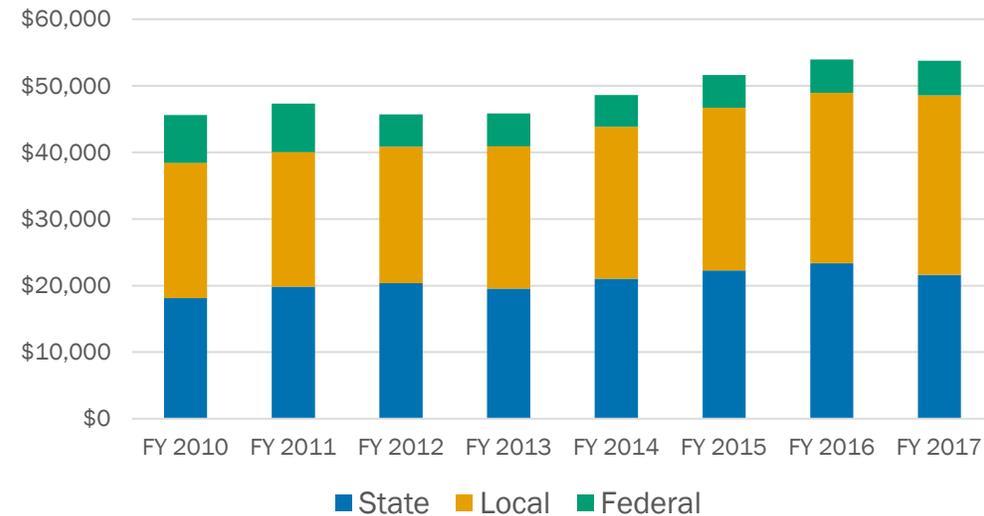
- Budget analysis requires budget data. PEIMS represents districts' reporting of revenues and expenditures, reported on a lagged basis (FY2017 data were available in Spring 2018), limiting its usefulness in describing budget decisions affecting the 2018-19 biennium. LBB analysis relies on state agency reporting of expenditures and budgeted amounts across all functions of government, as well as appropriations for the current and/or upcoming biennium.
- Putting appropriations in context requires comparable historical data. LBB analysis is often how a legislature's appropriations decisions compare to state funding in the preceding biennium or historical years. To do this accurately requires historical state budget data that provide for apples-to-apples comparisons.
- There are significant but unavoidable differences between PEIMS and state budget data. For example, PEIMS data include:
  - reporting of other local and intermediate revenue that doesn't affect the state budget;
  - certain state revenue -- for ex., FSP over- and under-payments that accrue to settle-up -- that may be reported in a different fiscal year than state expenditure reporting; and
  - certain I&S local revenue that is ineligible for participation in the FSP.

# Despite differences, data trendlines are similar: funding changes and All Funds growth over time

PEIMS Data  
State, Local and Federal Funding, 2010-2017  
In millions



State Budget Data  
State, Local and Federal Funding, 2010-17  
In millions



All Funds Increase, FY2010 to FY2017

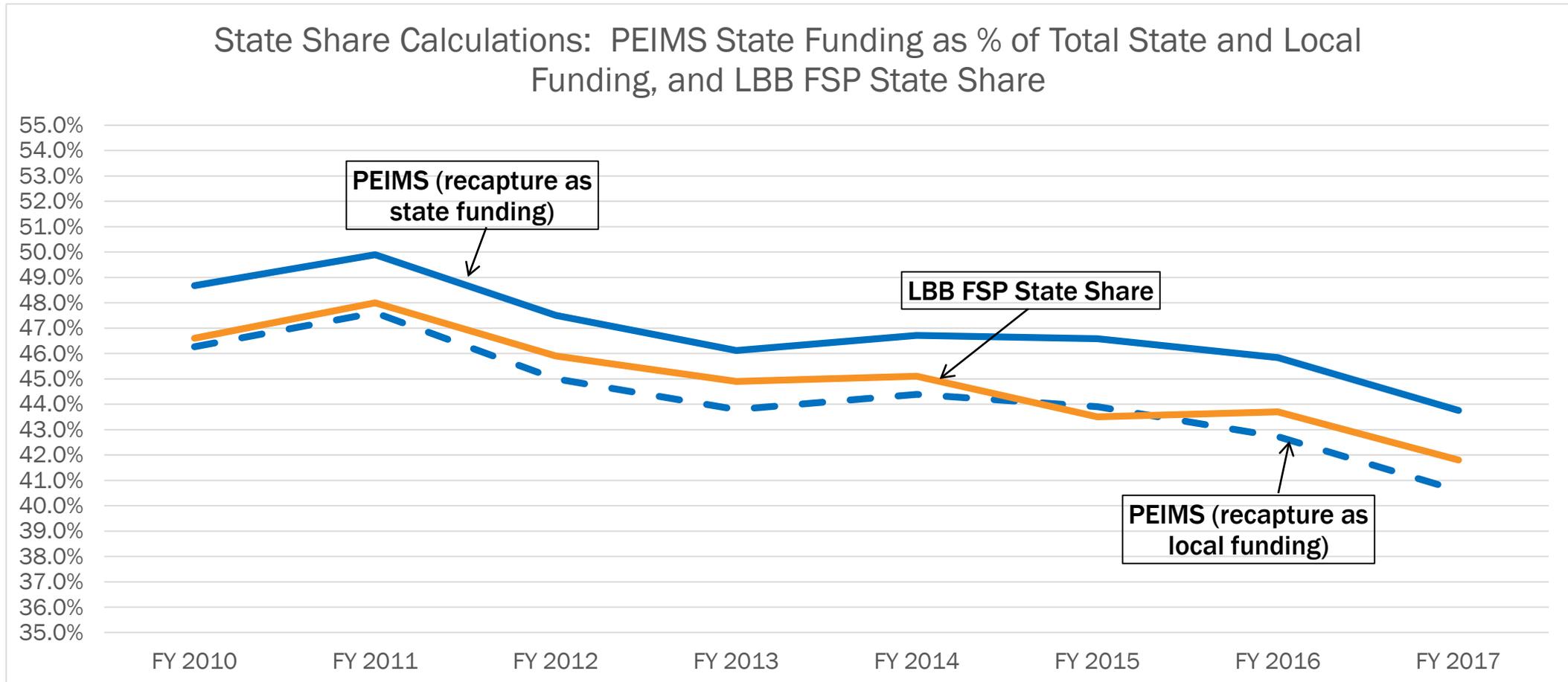
PEIMS

19.7%

State Budget

17.8%

# Despite differences, data trendlines are similar: state share of funding



# LBB FSP state share calculation

LBB produces two figures relating to public education funding:

- Pre-k thru 12 public education funding, which includes all appropriations to TEA
- Foundation School Program (FSP) state share

FSP state share calculation includes only the state aid and local revenue that is statutorily defined as part of the FSP: identified in the entitlement funding formulas and mechanisms established in Texas Education Code CH 41, 42, and 46.

State share serves as an indicator of whether the current array of funding formula levels are meeting the state's school finance policy goals with respect to the shared burden between local property tax revenue and the state treasury.

In FSP state share, recapture historically has been identified as local property tax revenue

- Recognizes property taxpayers as the source of the revenue and districts as the authorized assessors and collectors
- Reflects the fundamental dynamic of school finance: the system is a shared burden between local property taxes and the state, and generally as local revenue increases, the state's share decreases
- Below are two scenarios that illustrate some analytical consequences of classifying recapture as state funds:
  - Hypothetical #1: Property value growth occurs primarily in recapture districts. Without any other changes to the system, those property taxpayers will pay more, reducing the state funds needed from the treasury. Although taxpayer burden increases, the state share would not change.
  - Hypothetical #2: State undertakes effort to buy down tax rates in recapture districts. Without any other changes to the system, the state would draw billions of additional dollars from the treasury to eliminate recapture. The burden on taxpayers in CH41 districts would decrease, the burden on the state would increase, but the state share would not change.