As state surpluses surge, schools struggle with rising costs

Please see the following statement from Christy Rome, Executive Director of the Texas School Coalition:

Comptroller Glenn Hegar updated his estimates of state revenue today and made clear that Texas will end the current biennium next year with a surplus of nearly $27 billion cash on hand. This positive news reflects the strong performance of our state economy. Texas public schools are proud to contribute to this economy and to continue educating the students who will lead Texas to even greater success in the future.

It is important to consider the full context of today's announcement. For example, one reason for the surplus is the fact that there are fewer state dollars than projected going into public education. This is because property values have increased more than legislators predicted during their 2021 session. When property values come in higher than expected, the state saves money by giving fewer dollars to schools and instead relying more heavily on local property taxes for the funding of education.

A $1.97 billion reduction in spending for the Foundation School Program is counted among the state's excess revenue. While less state revenue than projected is going into public education, local schools are struggling to keep up with surging costs, from the fuel schools purchase for buses to the rising housing and utility costs that teachers and their families face at home. Inflation has driven costs 12 percent higher since 2019, when the Legislature last enacted significant school finance reforms. Meanwhile, recapture hit its highest level in state history, surpassing the $3 billion mark for the first time in the 2021-2022 school year.

A trend has emerged in the last couple of legislative sessions: The state has set sum-certain caps in statute on specific education appropriations. These caps are meant to provide budgeting certainty for the state, but they do not match the needs that schools have clearly demonstrated, according to standards in state policy. For example:

- The School Safety Allotment of $50 million per year, which results in funding of $9.72 per student in attendance, is spending for which schools have clearly demonstrated a need that exceeds the appropriated amount. However, lawmakers heard testimony this week that millions from the School Safety Allotment will be left on the table because of the state's distribution formula.
- The Fast Growth School Allotment for schools with fast-growing populations is limited to $310 million per year, though the need for that funding from school districts exceeded that amount by $105 million in FY 22 and is expected to

exceed funding limits by $65 million in FY 23. Funding amounts will be prorated, or reduced, for all qualifying schools because funding is insufficient.
- The New Instructional Facilities Allotment is limited to $70 million per year, and the need demonstrated by schools exceeded that amount by $12 million.
- The Instructional Materials and Technology Allotment was reduced by almost $600 million during the last legislative session in order to help lawmakers balance the budget, but schools still have the need for those materials and technology.

These arbitrary limits are allowing dollars that should be going to schools to instead pile up in the state treasury. Schools have greater needs that those arbitrary limits allow them to address.

We applaud state leaders for wanting to use much of the current surplus on further property-tax compression, which will help homeowners and lessen the impact of recapture. However, property tax relief should not come at students' expense. Considering all the challenges that high staff turnover and rising costs are presenting for school districts, legislators should make a significant investment in public education in both the Supplemental Appropriations Bill they write next spring and the General Appropriations Act for the next two years. We urge legislators to recognize and address the mounting costs that public schools are facing.

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