

Putting the state budget surplus into perspective



The Comptroller estimates a state surplus of \$32.7 billion by the end of FY 2023.

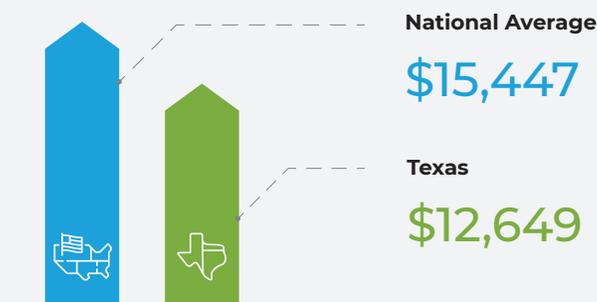
The surplus stems from strong economic growth in Texas and spending decisions made by previous Legislatures. Higher-than-expected property value growth has also put more local revenue into public education, allowing for a savings in state dollars.



Schools' costs have increased.

Since the passage of the last major school finance legislation, HB 3 in 2019, inflation is 14.5 percent. Schools' costs for fuel, supplies, insurance, utilities, and other operating costs have increased while there has been little overall new revenue for schools. Plus, schools are struggling to recruit and retain the teachers they need. According to Education Week, Texas ranks 40th in cost-adjusted per-pupil funding. To keep pace with inflation, legislators would have to adjust the Basic Allotment by \$900 per student — which would cost more than \$10 billion over the next two years.

COST-ADJUSTED PER-PUPIL FUNDING



Source: Education Law Center 2022 Making the Grade report

KEY POINTS:

- 1 The surplus presents an opportunity to invest in students and teachers
- 2 Inflation of 14.5% since 2019 has driven costs higher
- 3 Spending limit, other priorities threaten to crowd out needed investments in schools



The Legislature has not yet made funding commitments sufficient to address school budget challenges.

The Texas House and Senate unveiled initial budget proposals in January and included funding for a higher Golden Penny yield, as required by state law. The budgets also included general language about adding more dollars for public education later in the process. However, summary documents of the initial proposed budgets suggest that there is only about \$4 billion left under the state's Constitutional Spending Limit, and many priorities will be competing for that revenue. More room under the spending cap could become available as the legislative process continues.



Local flexibility matters.

Needs and priorities vary considerably across Texas school districts. Investments that give locally elected school boards flexibility will make it easier to address community priorities than one-size-fits-all spending requirements from the state.

Texas school districts have endured considerable cost increases over the last few years and are struggling to maintain their workforces. Legislators should prioritize students by investing meaningful new dollars in education and giving districts flexibility to address local needs.

