

## **Executive Summary: Pinching Pennies Report**

May 2026

Texas public education serves more than 5.5 million students across a diverse and high-need population, yet the school finance system produces inadequate and inequitable funding. Current policy choices underscore inequity by prioritizing tax cuts over sustained investment in schools.

As property values increase, the state shifts more responsibility onto local taxpayers, creating widespread confusion and frustration. As property taxes rise, school funding remains insufficient. Recapture (“Robin Hood”), which redistributes local revenue to promote equity, often gets the blame. However, the actual issue is the basic allotment (the foundational per-student funding amount) which is not adjusted for inflation.

As a result, districts are left with fewer resources to meet growing need because real per-student funding has declined significantly since 2020. In 2019, the Legislature implemented tax compression, reducing local school tax rates to ease taxpayer burden. While this increased the state’s share of funding on paper, it did not increase overall funding for schools. Instead, the state has spent \$51B to maintain tax cuts without improving classroom resources, teacher pay, or student outcomes.

Legislation passed in the 89<sup>th</sup> Session only further complicates the school finance system without making any meaningful increases to funding. Rather than raise the basic allotment, lawmakers have introduced mechanisms like the Guaranteed Yield Increment Adjustment (GYIA) and the Allotment for Basic Costs (ABC), which reallocate or fragment funding into targeted streams. These changes create inefficiencies, reduce transparency, and raise equity concerns.

The state has also expanded incentive-based programs like the Teacher Incentive Allotment (TIA) and introduced retention bonuses: both reach only a fraction of educators and do not address systemic underpayment across the workforce. Meanwhile, teacher turnover is rising sharply, and support staff remain undercompensated.

Texas is shortchanging public education. By failing to keep funding aligned with costs and prioritizing tax cuts over long-term investment, policymakers are creating a system that is increasingly inequitable, overly complex, and inadequate to meet need. Our students deserve better.

Key recommendations include:

- Increasing and indexing the basic allotment to inflation.
- Basing funding on student enrollment rather than attendance.



- Simplifying the finance system to improve transparency and flexibility.
- Reforming the tax system to ensure sustainable, equitable revenue.

Without these changes, Texas risks continued declines in educational quality and growing inequities across districts, ultimately undermining student outcomes and the state's long-term economic future.