

## SCHOOL FUNDING HISTORY (2008-2017)

Rising property values and the impact of the same on local property taxes has been a popular topic of conversation around the State of Texas (the “State”) in 2016. While rising property values benefit property owners in the long run, local taxpayers often receive sticker shock when their local property tax bill arrives in the mail each October, which has grown into frustration and consternation. While local property taxes benefit cities and special purpose districts (such as community college districts), the bulk of local property taxes go to support public education. With so much money being generated by increased property values, a number of questions arise as it relates to education:

1. With a booming Texas economy and pockets of the State exploding with property values growing annually at record rates, shouldn’t increased property values generate increased local property taxes to support education?

2. Even if property values grow faster in certain areas than others and even if property value growth in property-poor districts lags behind property value growth in property-wealthy districts, shouldn’t, with our system of property tax recapture, a “rising tide lift all boats?”

3. Shouldn’t Texas school districts be on financially sound ground?

4. Alternatively, shouldn’t increased local property tax revenues allow school districts to consider reducing property tax rates, offering local taxpayers some amount of tax relief?

Unfortunately, these questions don’t lead to answers any of us want to hear, and the reasons are as shocking as they are maddening.

### **Looking Back (2006-2016): Tax Cuts, the Crash and the Texas Miracle.**

To understand what has happened to property tax dollars in Texas, we must first understand the last ten (10) years of local property tax policy. Under Texas law, the State Legislature meets in a regular session every two years at the beginning of odd numbered years, at which session the Legislature establishes the State’s budget for the upcoming biennium.<sup>1</sup> In Spring 2006, Texas lawmakers passed a sweeping property tax reform package which reduced school tax rates for maintenance and operations (“M&O”)<sup>2</sup> by one-third. With the promise of new state tax revenues from business franchise taxes, the State agreed to provide additional funds to school districts harmed by the mandatory reduction in M&O rates as a means of mitigating the loss. In late 2007, however, the real estate market crash devastated the United States economy, and though Texas was not hit as hard as other states, the crash still had an

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<sup>1</sup> As an example, the upcoming legislative session will commence in January 2017. During this session, our state legislators will pass a budget for the 2018-2019 biennium.

<sup>2</sup> As a reminder, school taxes can be divided into two rates, (a) the maintenance and operations (M&O) tax rate, which funds operational costs, such as salaries and utilities, and (b) the interest and sinking (I&S) tax rate, which services a school district’s bond repayment for long-term debt on a limited list of items.

impact. By the time the Texas Legislature met in 2009, it had become apparent the business franchise tax would not yield the revenue previously expected, an issue which has proven true in the intervening years. With a lagging economy, low oil and gas prices and the promised franchise tax dollars never materializing, the 2011 legislature met facing a massive budget deficit and made deep cuts to spending across the board, including the State's largest annual expenditure, education. Although lawmakers restored some of the education cuts in 2013 and 2015, the full \$5.4 billion cut in 2011 has not fully been restored.

Yet, notwithstanding the impact of the real estate market crash, the price of oil, having dipped in 2009 to below \$40 per barrel, soared to over \$100 per barrel by the time the 2011 legislative session ended. Fueled by rising oil and gas prices, increased oil and gas production created thereby, and a tide of corporate relocations from other states (fueled, ironically, by an attractive business tax structure), the Texas economy thrived. With that thriving economy, however, came new residents in search of, or following, jobs, and with new residents came a spike in real estate prices to unprecedented heights. While the price of oil has again dropped below \$50 per barrel, Texas is no longer as dependent on oil and gas for its economy, and the State's population continues to grow. Between 2010 to 2015, of the twenty-five fastest growing counties in the United States, ten were in Texas.<sup>3</sup>

With a funding system reliant, in large part, on real estate taxes,<sup>4</sup> education logically should be the biggest beneficiary of rising property values. This has not happened. A review of the State's own funding figures since 2008 (and its projections for 2017)<sup>5</sup> reveal what has happened: (a) the State's funding for education is not keeping pace with the rate of inflation and the rate of population growth, and (b) the State is using increased local property values to decrease its portion of the obligation to fund public education.

### **Education Spending (2008-2017): Failing to Maintain the Pace of Growth.**

Per the State's calculations, 2017 will see the largest amount ever spent on public education, with a projected budget of nearly \$51 billion.<sup>6</sup> In this regard, when statewide officials comment about spending more for public education than ever before, they are right. In actual dollars, the State has never funded public education at this level. As with many statistics, however, there is a catch. As adjusted for inflation and population growth – and as reflected in the State's own calculations – not only is the State not spending more on education than ever before, the State will spend less on education in 2017 than it has in any year since 2008 but one. On a per student basis, as adjusted for inflation and population growth, Texas will spend about 20% less per student in 2017 than in 2008 and 26% less in 2017 than what it spent in 2009, the

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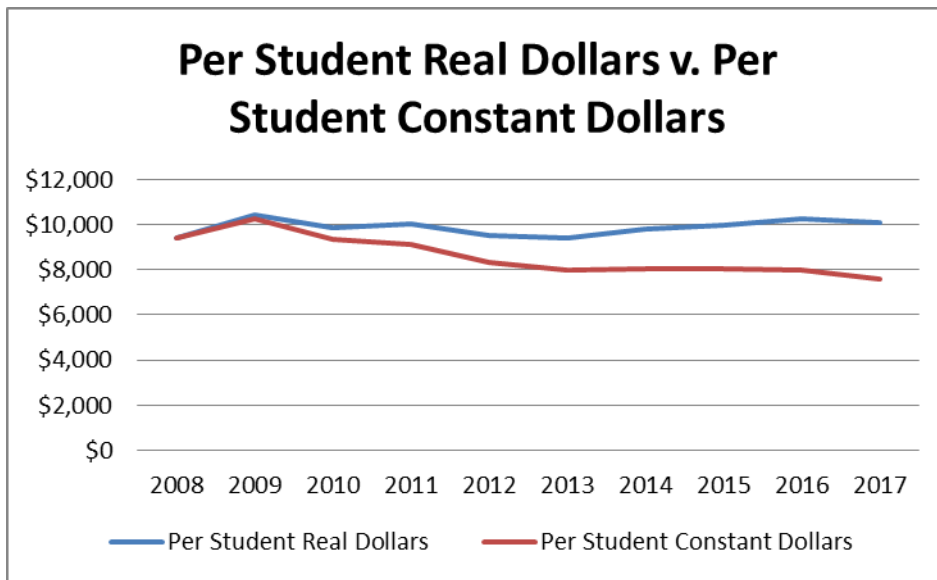
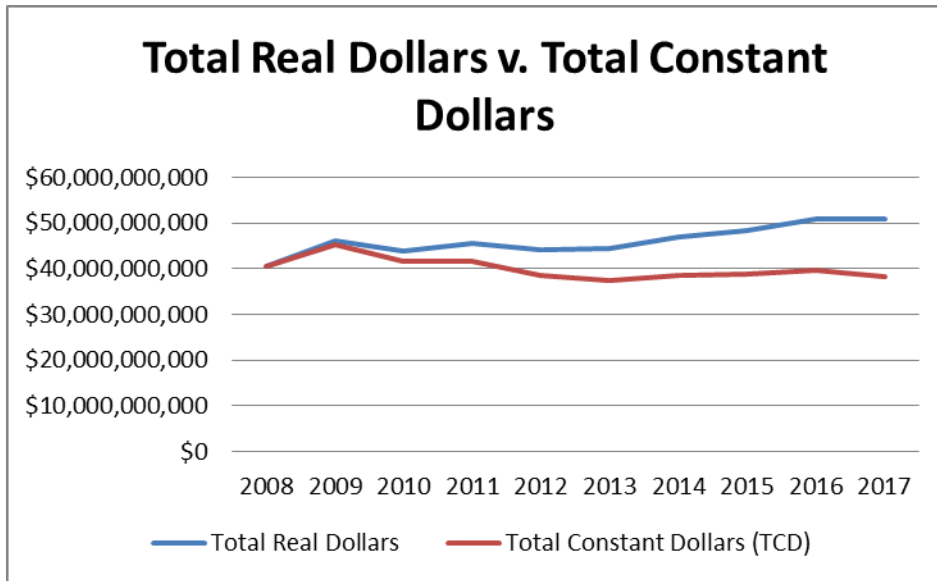
<sup>3</sup> <http://www.statista.com/statistics/241711/fastest-growing-counties-in-the-us/>. Note that while some of the fastest growing counties during this period may be attributed solely to oil and gas production (see the two counties in North Dakota at the top of the list on the referenced web page), only two Texas counties (Midland and Andrews) were heavy oil and gas counties. The rest were either suburbs of Dallas (Denton and Collin) or Houston (Fort Bend and Montgomery), or part of the booming Austin/San Antonio corridor (Comal, Williamson, Kendall, and Hays)

<sup>4</sup> Texas has no personal income tax. Local property taxes are a significant source of tax revenue for the State.

<sup>5</sup> See Legislative Budget Board Fiscal Size Up 2016-17 Biennium (Figure 169, page 227)

<sup>6</sup> \$50,946,300,000. This amount will be funded by local property taxes (\$26,245,800,000 representing 51.5% of the total), other state taxes (\$19,586,200,000 or 38.4% of the total), and federal aid (\$5,114,300,000 or 10.0% of the total).

year Texas spent the most on an adjusted, per student bases.<sup>7</sup> How has this happened? Stated simply, since 2008, the State’s funding of education has failed to keep pace with inflation and population growth.



<u>Year</u>	<u>Total Real Dollars<sup>8</sup></u>	<u>Total Constant Dollars<sup>9</sup></u>	<u>Average Daily Attendance</u>	<u>Per Student Real Dollars</u>	<u>Per Student Constant Dollars</u>
2008	\$40,627,300,000	\$40,627,700,000	4,315,132	\$9,415	\$9,415
2009	\$45,999,600,000	\$45,227,300,000	4,399,315	\$10,456	\$10,281

<sup>7</sup> 2008: \$40,627,700,000/4,315,132 students = \$9,415/student  
 2009: \$45,227,300,000/4,399,315 students = \$10,281/student  
 2017 (projected): \$38,212,600,000/5,038,494 students = \$7,584/student

<sup>8</sup> “Real Dollars” means the actual applicable dollar figure.

<sup>9</sup> “Constant Dollars” means the applicable dollar figure, as adjusted for inflation and population growth.

2010	\$44,007,500,000	\$41,775,100,000	4,470,146	\$9,845	\$9,345
2011	\$45,614,700,000	\$41,513,500,000	4,555,707	\$10,013	\$9,112
2012	\$44,218,100,000	\$38,638,900,000	4,632,151	\$9,546	\$8,341
2013	\$44,299,000,000	\$37,485,300,000	4,697,243	\$9,431	\$7,980
2014	\$46,948,200,000	\$38,449,000,000	4,778,014	\$9,826	\$8,047
2015	\$48,470,800,000	\$38,917,500,000	4,852,660	\$9,989	\$8,020
2016	\$50,831,800,000	\$39,667,700,000	4,954,033	\$10,261	\$8,007
2017	\$50,946,300,000	\$38,212,600,000	5,038,494	\$10,111	\$7,584

This failure of the State to spend, at a minimum, at the rate of inflation and population growth is hard to explain. One would think that, even in a down economy, the State would attempt to fund its public education system at a constant level year over year, on an as adjusted basis. Even if one were to point to the 2011 budget cuts as a unique and drastic measure, certainly the State would have used the booming economy of the last four years – and the incredible increases in property values - to readjust spending to match inflation and population growth. Unfortunately, that has not happened, and the taxpayer is unaware of the reason because the reason is not transparent.

### **Education Spending (2008-2017): Shifting the Burden from Congress Ave. to Main Street.**

Public education in Texas is funded through three revenue sources: local property taxes, other state funds, and federal funds. The State has spent the years since 2008 slowly shifting its share of the burden to local taxpayers. Again, using the State’s own data,<sup>10</sup> in 2008 local revenue (i.e. property tax dollars) provided \$18.20 billion or 44.8% of total State education spending of \$40.6 billion.<sup>11</sup> State funds accounted for \$18.24 or 44.9% of the total, and the remaining 10.3% came from federal sources.<sup>12</sup> Since that time, the burden has shifted from an even split between local property taxes and State funds to an over-reliance upon local property taxes. In reviewing the State’s public education budget from each of the last four legislative sessions,<sup>13</sup> a disturbing trend emerges – a trend which has been hidden, in part, due to the State’s lack of transparency in identifying the source of revenues allowing this shift to evolve and continue to today.

#### **(a) 2009 Legislative Session**

The 81<sup>st</sup> Legislature met with an interesting dilemma on its hands. While the country’s economy floundered and the State was recognizing far less franchise tax revenue than anticipated, the federal government provided a lifeline. In February 2009, the federal government passed the American Recovery and Reinvestment Act (“ARRA”), which resulted in additional federal funds made available to the State. The dilemma was how to use these funds. The good news was that the State put the funds towards public education. The bad news was how they did it.

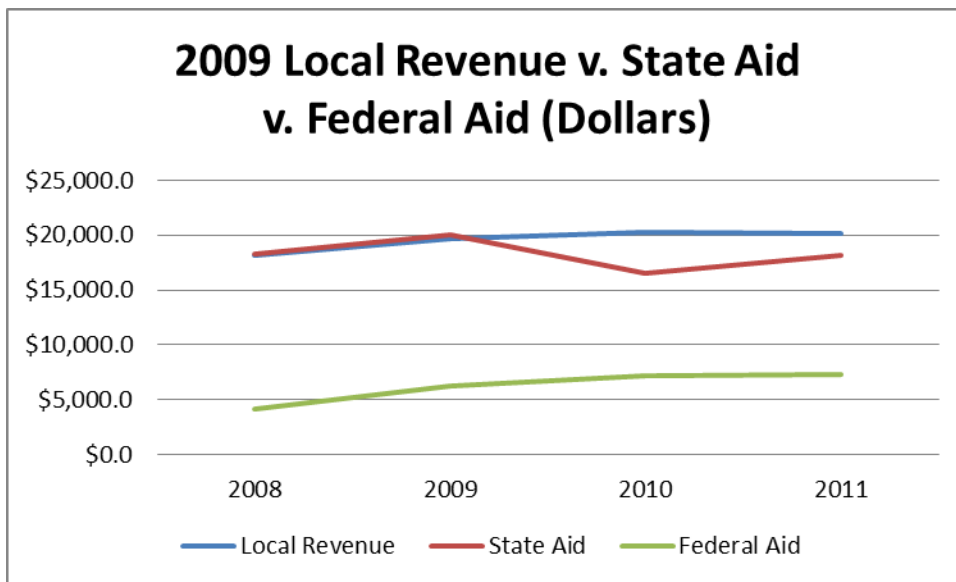
<sup>10</sup> See Legislative Budget Board Fiscal Size Up 2016-17 Biennium (Figure 169, page 227)

<sup>11</sup> \$18,204,900,000 of total spending of \$40,627,300,000 in 2008.

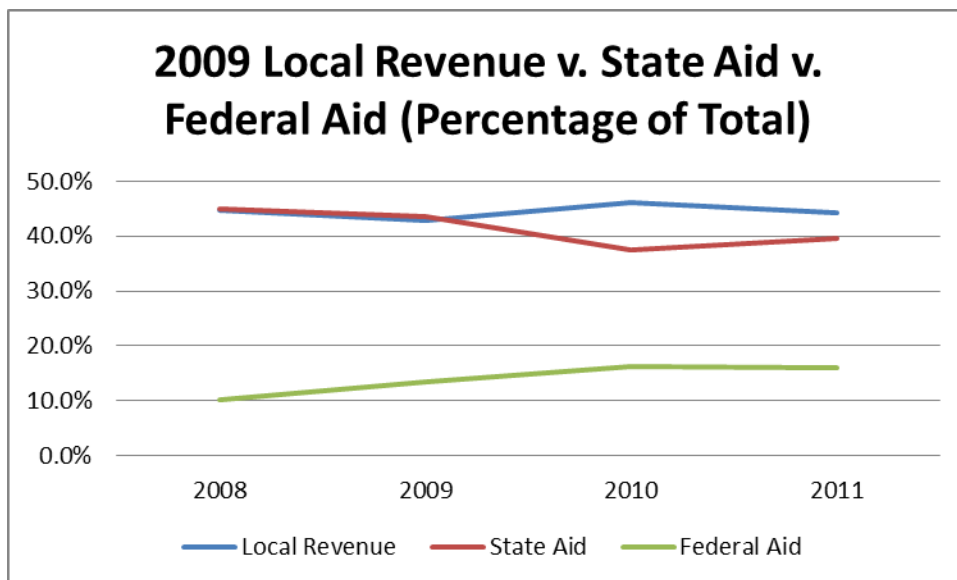
<sup>12</sup> \$18,237,100,000 of total spending of \$40,627,300,000.

<sup>13</sup> Note that the legislature in Texas meets every two years and establishes a budget for the next biennium. For example, the 2017 Legislature will establish the budget for the years 2018 and 2019.

The 2010-2011 biennium budget saw a decrease in the percentage of the education budget coming from state funds. With the promise of ARRA funds, the State allowed the percentage of the education budget supported by federal dollars to balloon from 10.3% in 2008 to 16.4% in 2010 and 16.0% in 2011. The State budgeted 46.1% of education spending to come from local property taxes in 2010 and 44.3% in 2011. Both of those numbers were within striking distance of the 44.8% local property taxes accounted for in 2008. While the local tax percentage remained somewhat constant, however, the actual dollars spent on education grew by \$2.08 billion in 2010 and \$1.98 billion in 2011. With an increase in federal dollars and local property revenues remaining somewhat constant, the State was the true beneficiary, reducing its portion of the education budget from 43.6% in 2009 to 37.6% in 2010 and 39.7% in 2011. Stated another way, the State leveraged an increase in federal funds to reduce its responsibilities under the education budget, presumably to spend those dollars elsewhere.<sup>14</sup>



<sup>14</sup> While not the purpose of this analysis, this information begs the question: where did the state spend its windfall?



Year	Local Revenue <sup>15</sup>	Percentage of Total	State Aid	Percentage of Total	Federal Aid	Percentage of Total	Total Real Dollars
2008	\$18,204.9	44.8%	\$18,237.1	44.9%	\$4,185.6	10.3%	\$40,627.3
2009	\$19,722.9	42.9%	\$20,050.3	43.6%	\$6,226.4	13.5%	\$45,999.6
2010	\$20,285.5	46.1%	\$16,526.1	37.6%	\$7,195.9	16.4%	\$44,007.5
2011	\$20,189.0	44.3%	\$18,115.2	39.7%	\$7,310.5	16.0%	\$45,614.7

### (b) 2011 Legislative Session

After 2011, with ARRA funds no longer available, the federal government's portion of the education budget dropped back down to a level more closely resembling 2008.<sup>16</sup> The reduction in federal funds is important, because it represents approximately \$2.2 billion the State annually relied upon to fund public education that, beginning with the 2011 legislature, the State now needed to make up.<sup>17</sup> The legislature responded in two ways. First, the legislature increased its portion of the education budget in 2012, the first year of the biennium, to 42.7% (significantly up from 39.7% in 2011, but not to the level of 44.9% from 2008, the year before ARRA funds arrived) but dropped its portion in 2013, the second year of the biennium, to 40.6%. Second, the legislature cut \$5.4 billion dollars from education spending.<sup>18</sup> The result was that, although as a percentage, the State's portion of education funding increased from 2011 to 2013, the real dollars spent by the State actually *decreased* by \$142.8 million.

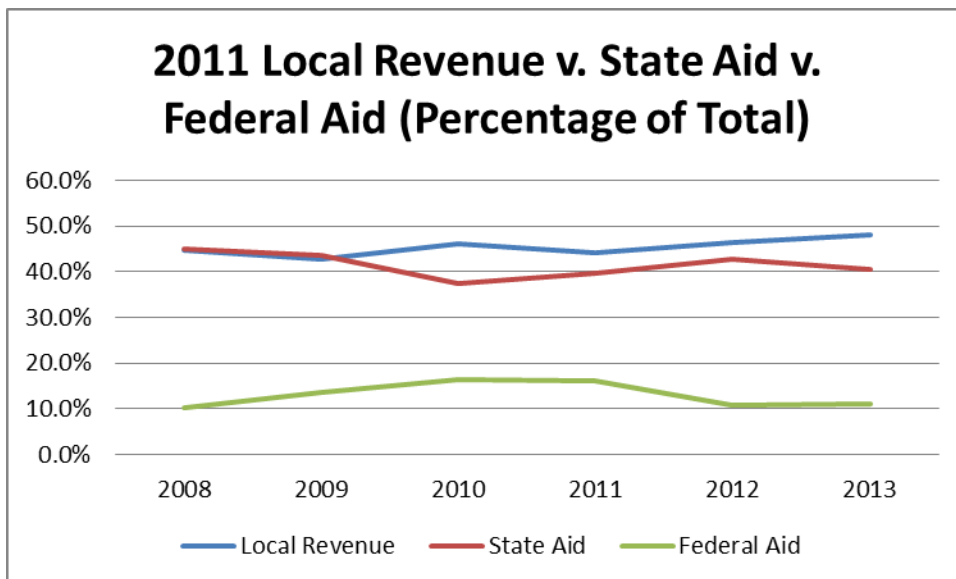
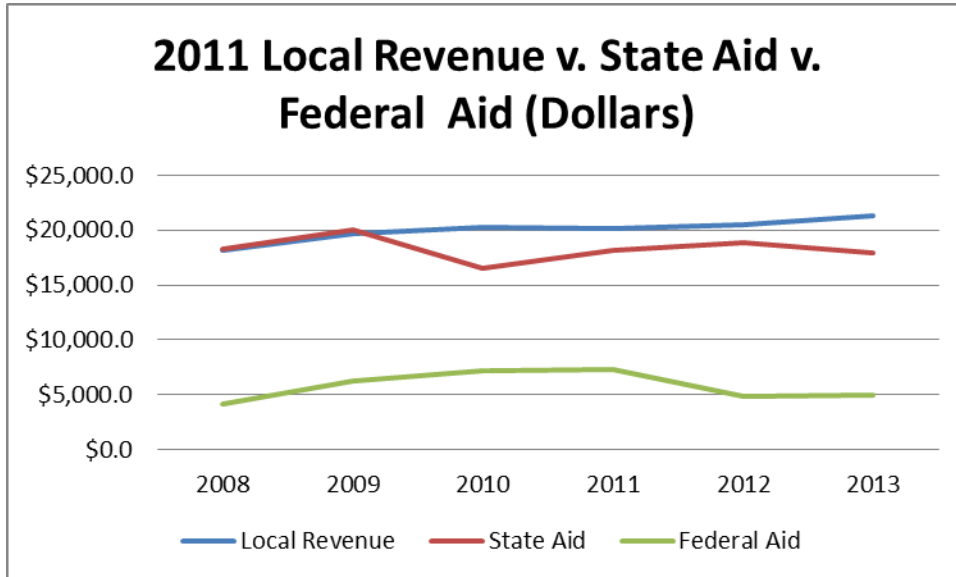
<sup>15</sup> Dollar amounts in chart are expressed in millions.

<sup>16</sup> 2012 and 2013 each saw federal funds account for 11.0% and 11.2%, respectively v. 10.3% in 2008.

<sup>17</sup> Note that this is the same 2011 legislature which slashed \$5.4 billion from the education budget. Not a coincidence.

<sup>18</sup> As a means of reflecting the impact of cutting such a significant amount of money from public education spending, despite increasing student population by 83,000 statewide, school districts eliminated more than 10,000 teaching positions. (<https://www.texastribune.org/2012/09/27/report-examine-budget-cuts-affected-texas-schools/>). In the intervening years, despite student population growth in the hundreds of thousands, Texas school districts employed 3,700 fewer teachers than before the 2011 cuts. (<https://www.texastribune.org/2015/08/31/texas-schools-still-feeling-2011-budget-cuts/>).

With the federal government reducing its portion, and the State reducing its portion, the difference was made up by an increase in reliance on property tax revenue. In 2012, local tax revenues accounted for 46.3% of the education budget and in 2013 that percentage jumped to 48.2%. This percentage increase represents an increase in the real dollars spent by local taxpayers to support public education in the amount of \$1.16 billion despite the budget being cut. The result was that by the end of the 2012-2013 biennium – just five years from the balanced approach of 2008 – a growing disparity between funding sources had become evident, with no signs of letting up.



**Local      Percentage      State      Percentage      Federal      Percentage      Total Real**

<u>Year</u>	<u>Revenue</u> <sup>19</sup>	<u>of Total</u>	<u>Aid</u>	<u>of Total</u>	<u>Aid</u>	<u>of Total</u>	<u>Dollars</u>
2008	\$18,204.9	44.8%	\$18,237.1	44.9%	\$4,185.6	10.3%	\$40,627.3
2009	\$19,722.9	42.9%	\$20,050.3	43.6%	\$6,226.4	13.5%	\$45,999.6
2010	\$20,285.5	46.1%	\$16,526.1	37.6%	\$7,195.9	16.4%	\$44,007.5
2011	\$20,189.0	44.3%	\$18,115.2	39.7%	\$7,310.5	16.0%	\$45,614.7
2012	\$20,486.4	46.3%	\$18,889.5	42.7%	\$4,842.2	11.0%	\$44,218.1
2013	\$21,357.8	48.2%	\$17,972.4	40.6%	\$4,968.8	11.2%	\$44,299.0

**(c) 2013 Legislative Session**

While the 2011 legislative session had been dominated by a recessed economy and the need to cut the State’s budget, the 83<sup>rd</sup> Legislature met in 2013 to a much rosier picture. In just two short years, the Texas economy had rebounded, and the legislature met with an eye towards restoring some of the cuts to education made during the 2011 session. The 83<sup>rd</sup> Legislature restored \$3.4 billion (of the \$5.4 billion cut in 2011) towards public education. Unfortunately, once again, they did so on the backs of local property owners.

Federal funds, as a percentage of the total budget, returned to 2008 levels for each year in the biennium.<sup>20</sup> For 2014, the legislature set the State’s percentage of the education budget at 41.2%, and for 2015, the legislature reduced the State’s portion to 39.4%, a level not seen since the 2010-11 biennium (when the State spent \$2-3 billion per year in ARRA funds on public education). As with the 2011 legislature, the discrepancy between the contributions of local taxpayers and the State grew during the biennium. In 2014, local tax revenues accounted for 48.6% of the education budget and in 2015 that percentage jumped to an incredible 50.4%. This represents a real dollar increase over this period of \$3.05 billion of taxpayer funds versus an increase in state dollars of \$1.14 billion. While the legislature gets credit for increasing overall funding to public education in the 2014-2015 biennium, the primary source of the increase was increased property taxes fueled by rising property values.

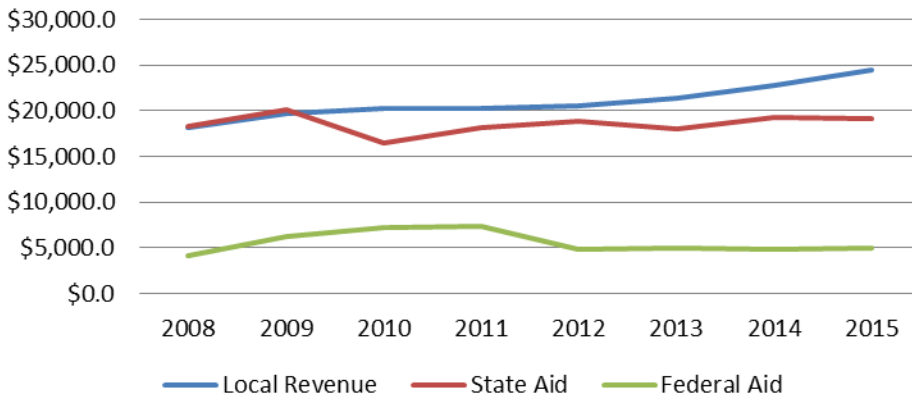
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<sup>19</sup> Dollar amounts in chart are expressed in millions.

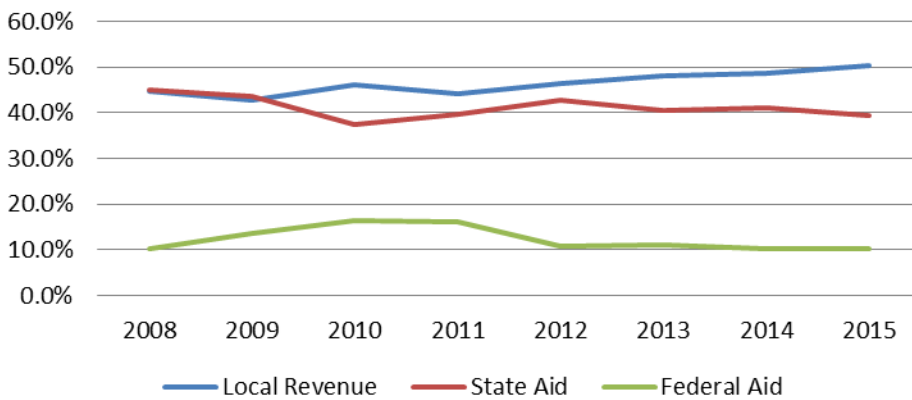
<sup>20</sup> Federal funds represented 10.2% of total spending in each of 2014 and 2015.



### 2013 Local Revenue v. State Aid v. Federal Aid (Dollars)



### 2013 Local Revenue v. State Aid v. Federal Aid (Percentage of Total)



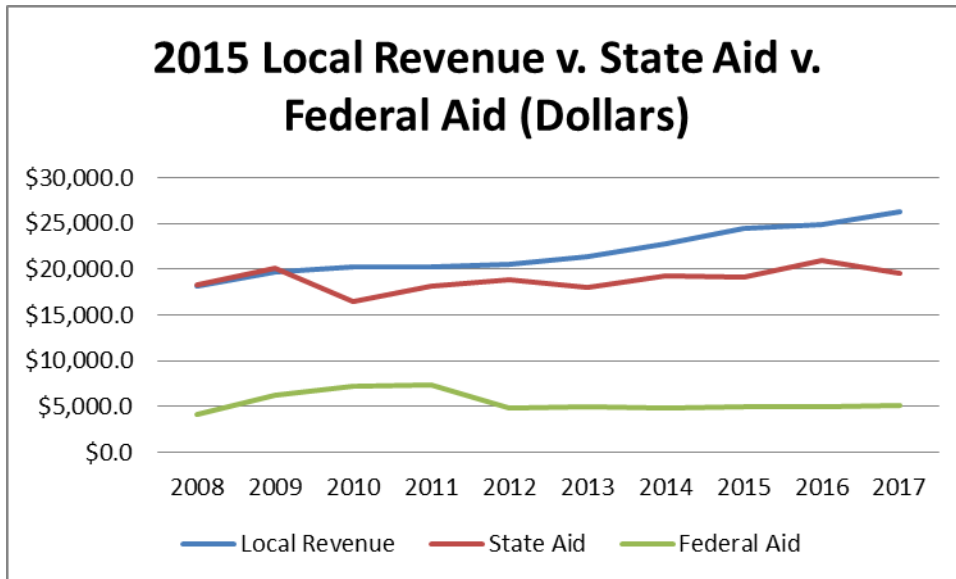
<u>Year</u>	<u>Local Revenue</u> <sup>21</sup>	<u>Percentage of Total</u>	<u>State Aid</u>	<u>Percentage of Total</u>	<u>Federal Aid</u>	<u>Percentage of Total</u>	<u>Total Real Dollars</u>
2008	\$18,204.9	44.8%	\$18,237.1	44.9%	\$4,185.6	10.3%	\$40,627.3
2009	\$19,722.9	42.9%	\$20,050.3	43.6%	\$6,226.4	13.5%	\$45,999.6
2010	\$20,285.5	46.1%	\$16,526.1	37.6%	\$7,195.9	16.4%	\$44,007.5
2011	\$20,189.0	44.3%	\$18,115.2	39.7%	\$7,310.5	16.0%	\$45,614.7
2012	\$20,486.4	46.3%	\$18,889.5	42.7%	\$4,842.2	11.0%	\$44,218.1
2013	\$21,357.8	48.2%	\$17,972.4	40.6%	\$4,968.8	11.2%	\$44,299.0
2014	\$22,816.5	48.6%	\$19,345.6	41.2%	\$4,786.1	10.2%	\$46,948.2
2015	\$24,408.5	50.4%	\$19,116.7	39.4%	\$4,945.6	10.2%	\$48,470.8

<sup>21</sup> Dollar amounts in chart are expressed in millions.

**(d) 2015 Legislative Session**

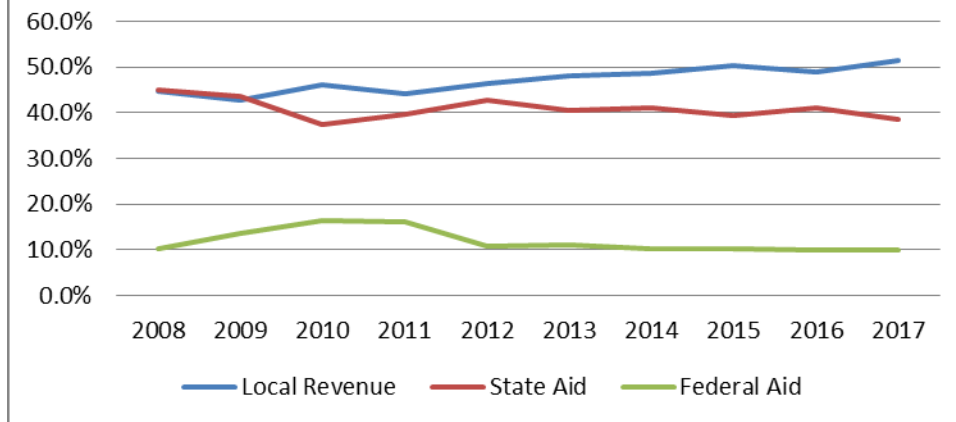
As in 2013, the 84<sup>th</sup> Legislature met in the midst of a robust economy. In fact, the economy was doing so well and property values were increasing so rapidly that the Texas Senate, led by Lt. Governor Dan Patrick, elected to focus on tax relief as its top priority.<sup>22</sup> From all appearances, the 2015 state legislature followed the pattern of the 2009, 2011 and 2013 legislatures and took an opportunity to (again) leverage a growing source of revenue to reduce the states responsibilities under the education budget, which, in turn, allowed the State to spend those dollars elsewhere.

As projected for 2016, the State’s portion of the education budget will be 41.2%, dropping to 38.4% in 2017, while the local taxpayer’s portion will be 48.9% in 2016 and a record-high 51.5% in 2017. In terms of the actual dollars, the State will rely on \$3.9 billion more in local property tax revenue than state dollars in 2016 to fund public education and \$6.66 billion more in 2017.



<sup>22</sup> See Senate Bill 1, 84<sup>th</sup> Legislature.

## 2015 Local Revenue v. State Aid v. Federal Aid (Percentage of Total)



Year	Local Revenue <sup>23</sup>	Percentage of Total	State Aid	Percentage of Total	Federal Aid	Percentage of Total	Total Real Dollars
2008	\$18,204.9	44.8%	\$18,237.1	44.9%	\$4,185.6	10.3%	\$40,627.3
2009	\$19,722.9	42.9%	\$20,050.3	43.6%	\$6,226.4	13.5%	\$45,999.6
2010	\$20,285.5	46.1%	\$16,526.1	37.6%	\$7,195.9	16.4%	\$44,007.5
2011	\$20,189.0	44.3%	\$18,115.2	39.7%	\$7,310.5	16.0%	\$45,614.7
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2013	\$21,357.8	48.2%	\$17,972.4	40.6%	\$4,968.8	11.2%	\$44,299.0
2014	\$22,816.5	48.6%	\$19,345.6	41.2%	\$4,786.1	10.2%	\$46,948.2
2015	\$24,408.5	50.4%	\$19,116.7	39.4%	\$4,945.6	10.2%	\$48,470.8
2016	\$24,873.8	48.9%	\$20,929.4	41.2%	\$5,028.6	9.9%	\$50,831.8
2017	\$26,245.8	51.5%	\$19,586.2	38.4%	\$5,114.3	10.0%	\$50,946.3

### Where Are My Property Taxes Being Spent?

Between 2008 to 2015, the State's portion of the education budget increased by 4.8%.<sup>24</sup> Over the same period of time, the portion of the education budget funded by property tax revenues increased by an incredible 34%.<sup>25</sup> Stated from another perspective, in 2008, the State's portion of the education budget exceeded the portion funded by local property taxes by \$32.2 million. By 2015 - a mere seven years later - local taxpayers contributed \$5.3 billion more than the State. If the State's projections prove accurate, that discrepancy will grow to \$6.66 billion by 2017. For a state which has seen multiple lawsuits over the past twenty-five years over its education finance system, asking for an accounting of this shift towards relying on local property taxes is a fair request, especially given the noise heading into the 2017 legislative session that

<sup>23</sup> Dollar amounts in chart are expressed in millions.

<sup>24</sup> State portion in 2008: \$18,237,100,000; State portion in 2015: \$19,116,700,000.

<sup>25</sup> Property tax portion in 2008: \$18,204,900,000; State portion in 2015: \$24,408,500,000.

property owners need additional relief from local taxes because property values increase too rapidly.

The disturbing trend which emerges when reviewing the last ten years of education funding is that of a legislative body which has leveraged either unusual, non-recurring funds (i.e. ARRA funds) or growing, but unsustainable,<sup>26</sup> local revenue sources (i.e. increased property tax revenues) to reduce the State's obligations. As budgeting is a net sum zero proposition, by utilizing these sources to fund public education – at, as noted above, a rate far below the rate of inflation and population growth – the State freed up dollars to spend on other budget items. Most recently, these dollars were used for things like a \$3.8 billion tax cut, the majority of which was a twenty-five percent cut to business franchise taxes that accounted for \$2.6 billion.

So, let's revisit the initial set of questions and determine what we can learn:

Q: With a booming Texas economy and pockets of the State exploding with property values growing annually at more than eight percent, shouldn't increased property values generate increased local property taxes to support education?

A: The answer here is yes, increased property values generate increased property taxes used to support education. Unfortunately, the State is using those increased property taxes to finance a reduction of its own obligations and passing that savings on to others (such as business franchise tax relief recipients in 2015) at the expense of public education.

Q: Even if property values grow faster in certain areas than others and even if property value growth in property-poor districts lags behind property value growth in property-wealthy districts, shouldn't, with our system of property tax recapture, a "rising tide lift all boats?"

A: No, because the State is not using the dollars generated by rising property values to increase spending in education. Conversely, the State is using the dollars generated by rising property values to reduce its own obligation.<sup>27</sup>

Q: Shouldn't Texas school districts be on financially sound ground?

A: They should, but this proves impossible when the State completely eliminates local use of property value growth by reducing its own share on, essentially, a dollar-for-dollar (or more) basis.

Q: Alternatively, shouldn't increased local property tax revenues allow school districts to consider reducing property tax rates, offering local taxpayers some amount of tax relief, a suggestion which seems particularly popular with some of our elected officials?

A: This is a great question for state legislators.

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<sup>26</sup> As has been reflected in recent economic history, rapid growth can only occur so long before supply catches up with demand. When that occurs, the State will lose the growing property tax revenue source it currently leverages for its own advantage.

<sup>27</sup> While this is not the topic of this analysis, the result of the current system is that Chapter 41 districts paying recapture in property value growth communities are shouldering a larger burden of the overall budget, and this burden grows exponentially each year.

## **What Can Be Done?**

The current state public education funding system is a mess. In its most recent ruling on school finance, the Texas Supreme Court described the system as “Byzantine, undeniably imperfect, with immense room for improvement.”<sup>28</sup> Certainly, the system is in need of a complete overhaul. Given the Texas Supreme Court’s most recent ruling, however, state legislators lack the motivation for such an undertaking. Notwithstanding moving forward with something which resembles the current system, however, there are steps states legislators can, and should take:

1. Assure that, in order to establish transparency and fidelity in taxation at all levels of government, the State eliminates the practice of reducing the State’s funding obligations to public education because of increased property tax revenues resulting from the growth in property values, a practice which allows the State to divert State funds previously allocated to public education to other priorities;

2. Return to 2008 as an initial benchmark for education funding. 2008 marked the first biennium after implementation of the State’s property tax reform legislation of 2006. In 2008 property tax dollars provided 44.8% of total state education spending, while other states funds accounted for 44.9% of the total (the remaining 10.3% came from federal sources). Total spending on a per student basis was \$9,415. Using 2008 as a benchmark, the State should:

a. Return to a formula whereby property tax dollars and other state funds equally satisfy the State’s funding obligations for public education. The State Legislature should then pass legislation requiring the State budget to provide a balanced approach as between these two funding sources.

b. Establish a baseline per student amount of \$9,415, and adjust this figure for inflation and population growth since 2008 (the “Adjusted Index”). The State Legislature should then pass legislation requiring a minimum per student spending level at the Adjusted Index, as further adjusted on an annual basis for inflation and population growth.

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<sup>28</sup> Despite granting the State’s appeal as to the financing system in the State of Texas and ruling that the system satisfies the Texas Constitution, Texas Supreme Court justices indicated the system needs significant improvement.