

**TEXAS SCHOOL COALITION POLICY BRIEF**

# The Impact of Education Savings Accounts on School Funding

*With highlights on the impact to recapture*



In the fiscal note to Senate Bill 2, 89th Texas Legislature, the Legislative Budget Board estimated that the new Education Savings Account (ESA) program would result in 25,500 students leaving the public school system for a private school option in fiscal year 2027 escalating to 98,000 by fiscal year 2030.

The estimate goes on to state that each student leaving the public school system would generate a savings to the Foundation School Program (FSP) of between \$10,512 and \$11,115 per exiting student. They estimate that in total, the cost of the ESA program would be offset by a reduction in funding to public schools of \$257.5 million escalating to \$805.5 million by 2030.

Given the importance of ad valorem taxes in the financing of public education, property tax professionals may be asked questions about the mechanics of ESA funding as it relates to schools.

## **WILL THE ENROLLMENT DECLINES IN MY SCHOOLS BE ATTRIBUTABLE TO ESAs?**

- It will depend on the district, but likely not. Although there is significant variation in enrollment patterns across Texas school districts, many schools were noticing a loss of enrollment well before the implementation of ESAs, brought on at least in part by declining birthrates both in Texas and across the nation.
- Statewide enrollment data show that between the 2020-2021 and 2024-2025 school years, roughly 47 percent of ISDs lost enrollment even though statewide enrollment was up, with fast growth in some districts masking a drop in others.

## **HOW WILL ESAs IMPACT RECAPTURE?**

- Any policy that changes who is counted as a public school student or how state aid is allocated can shift recapture obligations since ESAs leave property values untouched.
- Enrollment declines can increase the taxable value per student and cause some districts to move into or get pushed deeper into recapture. Districts could owe more in recapture even as they serve fewer students and face higher per-student costs.
- Enrollment increases can decrease taxable value per student and reduce recapture. The actual effects will vary by district characteristics.
- If ESAs are viewed as a choice to exit public education, there could be more legislative reliance on recapture and less urgency to modernize the equalized wealth level or formulas.

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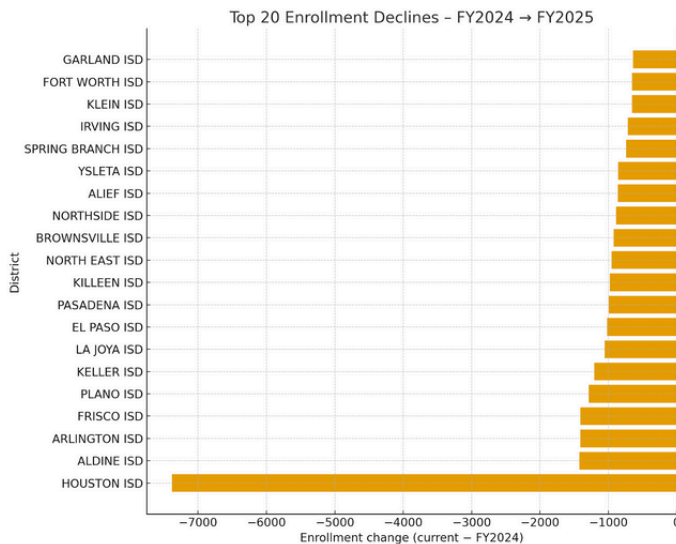
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### WILL DECLINING ENROLLMENT ALLOW MY DISTRICT TO LOWER MY PROPERTY TAXES?

- Likely not. Under the Texas school funding formula, although the total cost of the program falls nearly in direct proportion to the number of students leaving, the local share of the total cost of the program is fixed not by the number of students in the system but by the total property value. Consequently, **state general revenue is going to experience the full FSP savings from exiting students, not local taxpayers.**



### WON'T LOCAL SCHOOLS SAVE ENOUGH IN COSTS TO OFFSET THE LOSS IN REVENUE?

- Maybe in the long term, but savings can be hard to achieve in the short term. Some costs, like textbooks and school lunches, are relatively quick to materialize as they are nearly directly proportionate to the number of students served.
- Costs that are classroom, school or district based can be harder to reduce. Until the district loses enough students to close a classroom or campus, these costs are somewhat fixed.
- Consequently, the cost per student can increase as overall enrollment declines if districts run less than full classrooms and campuses. This challenge is exacerbated given that **districts must maintain enough schools and classrooms to serve any student that lives in its boundaries** and requests a public education (they cannot keep a waiting list), and salaries and staffing levels are, to some extent, governed by state law and existing contracts.

### WHAT ISSUES MIGHT MY SCHOOLS FACE IN THE NEAR FUTURE?

- In the short term, cash flow might become a more significant challenge as schools adjust to declining revenue. As districts learn to project enrollment in the new system, they may find that **state aid falls faster than planned**, especially as the state builds revised average daily attendance into state funding calculations more quickly than in the past. This could result in **increased pressure on property tax collections** to finance monthly payroll and other costs.

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