

# Texas Public Education Finance

Initial Research Framework  
— Working Draft —

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LONESTAR**RP3**

# PUBLIC EDUCATION FINANCE

## Texas Public Education Finance

Texas is navigating a period of fiscal, demographic, and policy transition that places renewed attention on how public education is funded, how dollars are deployed, and how those investments translate to outcomes. Continued legislative activity, ongoing demographic shifts, recent enrollment changes, and changes in operational costs have all combined to increase both scrutiny and complexity of public education finance systems.

Across K–12 and postsecondary systems, leaders are grappling with questions such as:

- How targeted state investments interact with local, federal, and philanthropic funds
- Whether incentives embedded in funding formulas are producing intended outcomes
- How fiscal capacity and administrative burden vary across place and institution
- How rising costs, enrollment changes, and shifting policy expectations are contributed to budget stress

Underlying these conversations is a widely shared premise: **good education policy is good economic policy**. If that premise holds, then public education finance must be examined not only in terms of inputs and compliance, but also in terms of outcomes, system capacity, and longer-term returns for students, communities, and the state..

## The Purpose of this Document

This initial research framework for **Public Education Finance (PEF)** is intended to organize a complex policy and practice landscape. The framework reflects areas of convergence that emerged from a recent LONESTAR<sup>3</sup> strategy team session and is intended to serve as a starting point for discussions to generate a consensus research agenda.

## Toward a Shared Research Agenda

LONESTAR<sup>3</sup> will facilitate iterative feedback and revision cycles with researchers, practitioners, and policy advocates across the state to refine this initial research framework. Feedback will be used to clarify, revise and prioritize themes and potential research questions. The goal is to generate a shared research agenda that reflects common priorities, practical relevance, timeline insights, and mutual ownership across the LONESTAR<sup>3</sup> network.

## APPROACH ONE: Investigation of Return on Targeted Public Investments

### Why this is important

Across Texas, public education systems increasingly rely on **targeted investments**—such as outcomes-based funding, pathway-specific supports, and program-level incentives—to advance shared goals for students and communities. These investments are designed to encourage particular behaviors, expand opportunity, and strengthen alignment between education systems and societal and workforce needs.

At the same time, there is growing recognition that **the presence of funding alone does not guarantee impact**. Targeted investments operate within complex systems shaped by local context, institutional capacity, and multiple funding sources. **Understanding how these investments are implemented, combined with other resources, and experienced on the ground is essential for learning which strategies meaningfully improve outcomes.**

Examining targeted investments through a **return-oriented lens**—one that considers benefits for students, institutions, communities, and the state—can support more informed decisions about design, implementation, and future policy refinement.

### Key idea clusters

- Types of targeted public investments across K–12 and postsecondary systems (e.g., CCMR Outcomes Bonuses, dual credit and postsecondary attainment incentives, FAST, selected CTE and pathway-oriented funding)
- Intended purposes of incentive-based funding compared to how funds are used in practice (e.g., incentives tied to access vs. quality, completion vs. attempted credits, enrollment vs. outcomes)
- Interactions between targeted state funds and other revenue sources (e.g., braided state, local, federal, and philanthropic dollars; use of program intent codes; supplemental versus sustaining funds)
- Variation in implementation and outcomes across geographic, institutional, and demographic contexts (e.g., urban vs. rural systems, district and college size, regional labor markets, partner readiness)
- Short- and longer-term outcomes associated with targeted investments along the student life cycle (e.g., enrollment, persistence, completion, credential attainment, workforce entry and early earnings)
- Examples where similar investments yield different results in comparable settings (e.g., similar funding levels producing different outcomes by place, capacity, or implementation approach; identification of “bright spots”)

## Potential approaches to investigate targeted investments

### 1.1 Design and intent of targeted investments

- 1.1a What goals are targeted public investments intended to advance across different stages of the student life cycle?
- 1.1b How are incentives embedded in funding structures expected to influence organizational behavior and decision-making?
- 1.1c Where do stated policy intentions align with—or diverge from—how investments are understood and acted upon in practice?

### 1.2 Use of funds and system capacity

- 1.2a How are targeted state funds combined with other resources, and what does this reveal about the full set of inputs supporting programs and services?
- 1.2b How does organizational capacity shape the ability to access, manage, and sustain targeted investments?
- 1.2c How do capacity-related challenges and strategies differ across place, scale, and institutional context?

### 1.3 Outcomes and returns across systems

- 1.3a What student-related outcomes are associated with specific targeted investments at different points in the life cycle?
- 1.3b What organizational outcomes—such as program stability, staffing capacity, or service quality—appear to be influenced by targeted funding?
- 1.3c How do observed returns vary when examined from different perspectives (students, institutions, communities, the state)?

### 1.4 Variation, contrast, and shared learning

- 1.4a How do similar investments produce different results across regions, institutions, or student populations?
- 1.4b What contextual factors appear to shape whether targeted investments translate into meaningful outcomes?
- 1.4c Where do contrasting results point to transferable design or implementation insights that may inform future efforts?

## **APPROACH TWO: Investigation of How Targeted Investments Impact System Capacity**

### **Why this is important**

**Public education finance policies** and funding structures are often designed with specific goals in mind—**encouraging participation, improving outcomes, or strengthening alignment** across systems. Administrative complexity, staffing levels, technical expertise, and access to intermediaries all shape whether districts, campuses, and institutions have the capacity to fully capitalize on targeted funding opportunities. Understanding **how capacity and administrative burden interact** with public education finance is critical for **interpreting variation in outcomes, identifying unintended consequences, and understanding how systems operate in practice.**

### **Key idea clusters**

- Varied organizational capacity across district size, institutional type, and geography to capitalize on targeted investments
- Costs associated with participation in incentive-based programs
- Administrative and reporting requirements associated with targeted and outcomes-based funding
- Varied access to technical assistance, intermediaries, and external expertise
- Tradeoffs between pursuing targeted funding and sustaining core instructional and operational functions
- Strategies institutions use to manage, offset, or avoid administrative overhead or burden

### **Potential approaches to investigate targeted investments**

#### **2.1 Administrative design and participation**

- 2.1a** What administrative, reporting, and compliance requirements accompany major public education finance policies and funding streams?
- 2.1b** How do these requirements influence decisions to participate, partially participate, or opt out of targeted funding opportunities?
- 2.1c** Where do administrative demands align with program intent, and where do they create friction or unintended barriers?

## **2.2 Capacity variation across place and institution**

- 2.2a** How does organizational capacity vary across urban, suburban, and rural contexts, as well as across institutional types?
- 2.2b** How do staffing levels, role specialization, and access to expertise shape the ability to manage complex funding structures?
- 2.2c** How do small or resource-constrained systems adapt to complexity, and what tradeoffs do these adaptations entail?

## **2.3 Intermediaries, supports, and workarounds**

- 2.3a** What roles do intermediaries, regional entities, and third-party providers play in helping institutions access and manage targeted funds?
- 2.3b** How do these supports alter costs, control, and sustainability for participating systems?
- 2.3c** Under what conditions do intermediaries expand capacity versus introduce new dependencies or constraints?

## **2.4 Consequences of complexity for systems and outcomes**

- 2.4a** How does administrative burden affect program implementation quality, staff workload, and organizational focus?
- 2.4b** What are the downstream effects of complexity on student-facing services and experiences?
- 2.4c** Where does complexity appear to reinforce existing disparities in access to resources or opportunities across contexts?

**THEME Y: Purchasing Power, Cost Pressures, and Fiscal Sustainability**  
(Theme numbers will be assigned once the targeted investments have been selected)

**Why this is important**

Public education systems in Texas operate under increasing financial pressure shaped by rising costs, enrollment change, fixed obligations, and constrained flexibility. Even in periods of increased nominal funding, these conditions can limit purchasing power and complicate planning, staffing, and service delivery decisions. At the same time, practitioners and policymakers alike often lack a shared understanding of how purchasing power, cost pressures, and funding structures interact. Thoughtful analysis can help reveal fiscal challenges that are driven by funding levels, those driven by spending patterns or structural constraints, and those driven by broader economic conditions.

**Key idea clusters**

- Purchasing power in the face of rising operational and capital costs
- Enrollment change and its interaction with funding formulas
- Fixed versus flexible costs within district and institutional budgets
- Tensions between operational (M&O) and capital (I&S) funding
- Budget deficits as signals of underlying structural conditions rather than single causes

**Potential areas for investigation**

**3.1 Interpreting fiscal conditions and budget signals**

- 3.1a How do different actors interpret budget deficits, surpluses, or reserves as indicators of fiscal condition?
- 3.1b What assumptions or heuristics shape how fiscal indicators are used in planning, communication, and decision-making?
- 3.1c How do interpretations of fiscal condition vary across contexts, including by enrollment trends, cost structures, and governance environment?

**3.2 Purchasing power and cost pressures**

- 3.2a How have rising costs (e.g., insurance, utilities, construction, benefits) affected the purchasing power of education systems over time?
- 3.2b How do cost pressures vary by geography, district size, and institutional context?
- 3.2c How do systems adjust staffing, programming, or service delivery in response to sustained cost increases?

### **3.3 Enrollment dynamics and structural constraints**

- 3.3a** How do enrollment changes interact with funding formulas to shape revenue stability and predictability?
- 3.3b** What fixed costs limit the ability of systems to adjust expenditures in response to enrollment decline or volatility?
- 3.3c** How do enrollment-driven adjustments affect instructional offerings, staffing configurations, and student access to services?

### **3.4 Fiscal sustainability and flexibility**

- 3.4a** What features of funding structures support or constrain long-term fiscal sustainability?
- 3.4b** How do tradeoffs between operational and capital funding affect system resilience and planning?
- 3.4c** What strategies appear to preserve flexibility while maintaining core educational functions under fiscal pressure?

## THEME Z: Enrollment Dynamics, Choice, and Place-Based Variation

*(Theme numbers will be assigned once the targeted investments have been selected)*

### Why this is important

**Enrollment patterns and choice-related policies** introduce significant variability into how public education finance operates across Texas. Changes in student enrollment—whether gradual or sudden—**can reshape revenue, staffing, facilities use, and long-term planning**. At the same time, policies that expand educational choice interact with highly uneven local contexts, including differences in geography, population density, and availability of alternative schooling options. Understanding these dynamics is essential for interpreting fiscal conditions, anticipating unintended consequences, and understanding the diversity of local experience across the state.

### Key idea clusters

- Enrollment trends and their fiscal implications across K–12 and postsecondary systems
- Fixed costs and planning challenges associated with enrollment volatility or decline
- Choice policies and their interaction with local education landscapes
- Geographic variation in access to private school options and alternatives
- Community-level impacts of school consolidation or closure
- Data limitations related to participation, outcomes, and oversight in choice contexts

### Potential areas for investigation

#### 4.1 Enrollment change and financial planning

- 4.1a** How have enrollment patterns shifted across regions, sectors, and institutions over time?
- 4.1b** How do funding formulas respond to enrollment growth, decline, or volatility, with what lag<sup>1</sup>, and what planning risks do these lags create for education systems?
- 4.1c** How do systems plan for uncertainty when enrollment trends are unpredictable or uneven, and what tradeoffs do they make in staffing, programming, or service delivery as a result?

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<sup>1</sup> “Lag” is the time gap between when enrollment changes occur and when funding adjusts in response, and the consequences of having to make decisions during that gap.

## **4.2 Fixed costs, consolidation, and service tradeoffs**

- 4.2a** What fixed costs constrain the ability of systems to adjust spending in response to enrollment change, particularly over short planning horizons?
- 4.2b** How do decisions related to consolidation, closure, or program reduction emerge in different contexts?
- 4.2c** How do such decisions affect access to services, staffing configurations, and community trust?

## **4.3 Choice policies and local context**

- 4.3a** How do choice-related policies interact with existing public and private education landscapes across regions?
- 4.3b** How does geographic access—or lack thereof—to alternative schooling options shape financial and operational impacts?
- 4.3c** What fiscal and administrative implications emerge for systems serving different student populations or communities?

## **4.4 Oversight, data, and interpretation**

- 4.4a** What data are available to examine participation and outcomes associated with choice policies?
- 4.4b** Where are data limited or uneven, and how does this affect interpretation of policy impacts?
- 4.4c** How can research responsibly characterize variation without overgeneralizing from localized experiences?

## Appendix. Developing a Shared Research Framework

### Background

To develop an initial research framework focused on Texas public education finance, LONESTARP3 convened a strategy team on January 27, 2025. Participants brought perspectives spanning research, practice, and policy and represented a range of roles, sectors, and geographies across Texas. Prior to the sessions, LONESTARP3 prepared a [landscape analysis](#) of Texas public education finance for shared context.

The strategy team meeting was designed to support collective sensemaking around key problems of practice and policy and to surface areas potential future research. Rather than finalizing priorities or identifying specific studies, the team used a common, structured protocol to generate and refine questions that reflect areas of alignment and momentum across the field. This draft framework represents an intermediate step.

### Methods

This draft research framework was developed through a structured, collaborative sensemaking process designed to surface shared problems of practice and policy related to public education finance in Texas. LONESTARP3 convened a strategy team of researchers, practitioners, and policy partners representing diverse roles and geographic contexts across the state. Using a common **Generate–Categorize–Refine** protocol, participants independently generated ideas and then collectively identified patterns, points of convergence, and areas of productive tension, drawing on a shared landscape analysis for context.

The Strategy Team worked collectively on the protocol through the **Categorize stage** of this process. An initial working document was created by synthesizing three primary inputs: the documentation captured in the Generate portion of the protocol, insights surfaced from real-time sensemaking during the strategy session, and detailed notes capturing the full range of ideas raised by participants. A range of targeted investments were surface, but prioritization and selection were not complete. This draft offers two approaches to research on targeted state investments that reflect the kinds of questions that could be asked once consensus on the investments has been reached. In addition, it offers potential question in two other themes within education finance, but not associated with targeted investments. This framework is intentionally provisional and designed to support further refinement through feedback and continued engagement across the LONESTARP3 network.

## Acknowledgements

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