Texas Ed BRIEF
A NEWSLETTER FOR TEXAS EDUCATORS

RESOURCE 03
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FREE RESOURCE 03

Texas School Finance Quick Guide

A plain-English look at how HB 2 (2025) changed district funding, what that means for your budget, and the questions to ask before the 2027 session changes it again. Includes a one-page budget worksheet.

Current as of November 13, 2026 · Based on TEA, Legislative Budget Board, and published analyses of HB 2, 89th Legislature

01 THE BIG PICTURE IN 60 SECONDS

~$8.5 billion

New public school funding in HB 2, signed June 4, 2025. About $4.2 billion of it goes to teacher pay, incentives, and retention.

Targeted, not flexible

Most new money arrives through specific allotments, not the basic allotment. The basic allotment rose only $55, from $6,160 to $6,215.

Old 30% rule repealed

The 2019 requirement to spend 30% of any basic-allotment increase on staff pay is gone. Pay money now flows through the retention allotments.

Special education rebuilt

Special education is now funded by **intensity of service** rather than instructional setting (HB 2 Article 4 and SB 568).

02 THE NEW AND EXPANDED ALLOTMENTS

ALLOTMENT	WHAT IT DOES	BUDGET WATCH-OUT
Teacher Retention Allotment (TRA)	Permanent raises for experienced classroom teachers, based on experience and district size (table below)	Must be spent on teacher pay. First- and second-year teachers are not eligible.
Support Staff Retention Allotment	Funds pay increases for non-teacher staff	Check TEA's TAA for eligible roles and amounts.

ALLOTMENT	WHAT IT DOES	BUDGET WATCH-OUT
Teacher Incentive Allotment (TIA)	Expanded designation system and higher allotments, including rural and high-needs factors	Requires a TEA-approved local designation system.
Allotment for Basic Costs (ABC)	New funding for non-instructional costs such as utilities, insurance, transportation, and facilities	One of the few flexible streams; plan it carefully.
School Safety Allotment	Moved to TEC §48.160 and increased; includes per-student and per-campus amounts	Spending is certified in your 3-year safety audit (TEC §37.108(b-1)).
Special education (intensity model)	Funding tied to the services each student receives	Accurate PEIMS/SPEDS coding now drives revenue.
Early education / pre-K	Distribution changes favor 4-year-old pre-K first; partnerships require approval	Review your pre-K model and partnerships.

Teacher Retention Allotment amounts (per eligible teacher)

EXPERIENCE	DISTRICTS OF 5,000 OR FEWER STUDENTS	DISTRICTS OF 5,001+ STUDENTS
3–4 years	$4,000	$2,500
5+ years	$8,000	$5,000

Source: ATPE summary of HB 2 (July 2025). Confirm eligibility rules, including the definition of "classroom teacher" under TEC §5.001, in TEA's TRA implementation TAA (June 12, 2025).

03 WHAT HB 2 DID *NOT* FIX

- [ ] **Inflation since 2019.** Education advocates say the new money didn't make up for inflation since the 2019 school finance overhaul.
- [ ] **Enrollment decline.** Statewide enrollment fell by more than 76,000 students in 2025-26. Fewer students mean less formula funding.
- [ ] **Flexibility.** Targeted allotments limit how districts can close general-fund deficits.
- [ ] **TEFA competition.** 85,000+ students used $10,474 private-school accounts in 2026-27, and lawmakers will debate expanding or repealing the program.

04 QUESTIONS EVERY SUPERINTENDENT SHOULD ASK THE CFO

1. How much of our year-over-year revenue change comes from **restricted** allotments, and how much is **flexible**?
2. Are our TRA dollars fully passed through to eligible teachers, and can we document it?
3. Is our special education service coding accurate under the intensity model? What is a coding error costing us?
4. What happens to our budget if enrollment drops another 2%? What about 5%?
5. How is ABC money being used, and could it free general-fund dollars?
6. Can we track our safety-allotment spending for the audit certification?
7. What would HB 178's proposed $7,500 basic allotment mean for us, and what if the Legislature does nothing?

05 ONE-PAGE BUDGET WORKSHEET

Fill in from your Summary of Finances (SOF) and general ledger. Use it to brief your board in plain language.

LINE	2025-26 ACTUAL	2026-27 BUDGET	CHANGE
Refined ADA (students in attendance)			
Basic allotment revenue			
Teacher Retention Allotment (restricted)			
Support Staff Retention Allotment (restricted)			
Teacher Incentive Allotment			
Allotment for Basic Costs			
Special education allotment			
School Safety Allotment			
Other state / federal revenue			
Total revenue			
Payroll (6100)			
Contracted services, supplies, other			
Surplus / (deficit)			
Fund balance as months of operating expenditures			

Board talking points (fill in)

Our district received _____ in new HB 2 funding. _____% of it is restricted to staff pay. Our flexible revenue changed by _____. Our biggest cost pressure is _____.

Want the full picture? The Budget Notebook from Education Administrative Resources helps Texas districts model revenue, staffing, and multi-year scenarios. Contact allen@edadresources.com · News every Tuesday and Friday at **texasedbrief.org**

Sources

- TEA, House Bill 2 page and HB 2 Highlights one-pager (June 26, 2025): tea.texas.gov/89th
- Texas Legislature Online, HB 2 (89R) Enrolled Bill Summary and Fiscal Note
- IDRA, "Texas School Funding – Major Elements in House Bill 2" (Sept 2025)
- ATPE Teach the Vote, "Priority bills of the 89th Legislature" (July 14, 2025)
- TEA TAA, School Safety 89th Legislative Updates (July 17, 2025); TEC §37.108
- Texas Tribune and Fox 26 Houston (HB 178), Nov 2026; Community Impact (TEFA, enrollment), 2026

This guide simplifies a complex formula for planning conversations. Allotment amounts, eligibility, and coding rules are set by statute, TEA rules, and TEA guidance, and can change. Verify all figures against your district's Summary of Finances and current TEA guidance. Not legal or financial advice. © 2026 Texas Ed Brief · Education Administrative Resources, LLC.

📌 KEY RESOURCES

TEA House Bill 2 page, FAQs and TAAs
tea.texas.gov/about-tea/government-relations-and-legal/government-relations/house-bill-2

TEA school finance
tea.texas.gov/finance-and-grants

HB 2 (89R) bill text and fiscal note
capitol.texas.gov

Legislative Budget Board
lbb.texas.gov

Texas Education Freedom Accounts (Comptroller)
comptroller.texas.gov/programs/education/esa

TASBO: school business resources
tasbo.org

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Links current as of November 2026. Requirements change, so check these official sources for the latest guidance.