

Fund State Requirements at Actual Cost: Special Education

Funding the special education requirements the state sets at what they actually cost districts

Background

The State of Texas sets the rules for special education, one of the fastest-growing costs in school district budgets. The requirements are mandatory, costs are rising, and state funding has not kept pace with what districts must spend to comply.

When state funding falls short of the cost of a state requirement, the difference is paid from district general operating funds. Those are the same funds that pay for teachers, instruction, and operations for all students. For districts subject to recapture, it is local revenue that remains after recapture payments are made to the state.

Special education services are required by the federal Individuals with Disabilities Education Act (IDEA) and state law. Districts must evaluate any student suspected of having a disability and provide every eligible student the services in that student's individualized education program (IEP), regardless of cost.

Enrollment growth

The number of students served through special education grew from 531,991 in 2018-19 to 903,072 in 2025-26, an increase of 69.8%. Over the same period, total statewide enrollment was essentially unchanged, at about 5.4 million students. From 2024-25 to 2025-26, special education enrollment rose 5.3% while total enrollment fell 1.6%.¹

Growth followed the end of the state's 8.5% special education identification indicator in 2017, federal corrective action in 2018, and House Bill 3928 (88th Legislature), which requires dyslexia to be evaluated as a specific learning disability under special education. Initial special education evaluations, each a required, staff-intensive process, rose from 101,287 in 2017-18 to 178,645 in 2024-25.

Students Served Through Special Education		
School Year	Students Served	Share of All Students
2018-19	531,991	9.8%
2019-20	588,829	10.7%
2020-21	605,351	11.3%
2021-22	635,340	11.7%
2022-23	703,725	12.8%
2023-24	775,318	14.0%
2024-25	857,520	15.5%
2025-26	903,072	16.6%

¹[Investments in Special Education](#), Texas Education Agency, presentation to the House Committee on Public Education (2026), pp. 2, 5, 22. PEIMS Fall Submission data as of Oct. 31, 2025.

Statewide cost and funding

TEA compares the special education funding districts receive from dedicated sources, including state Foundation School Program (FSP) formula funds, federal IDEA-B grants, federal Medicaid reimbursements through the School Health and Related Services (SHARS) program, and other grants, with what districts report spending on special education. TEA reports that statewide, districts spent \$1.69 billion more on special education than they received in 2024-25, up from \$1.27 billion in 2021-22.²

Statewide Special Education Funding and Expenditures (Billions)			
	2021-22	2024-25	Change
State FSP special education funds	\$4.67	\$6.58	+\$1.91
Federal IDEA-B funds	\$1.03	\$1.20	+\$0.17
Federal SHARS (Medicaid) reimbursements	\$0.79	\$0.19	-\$0.60
Other special education funding	\$0.20	\$0.19	-\$0.01
Total dedicated funding	\$6.69	\$8.16	+\$1.47
Total district expenditures	\$7.94	\$9.83	+\$1.89
Net funding deficit (TEA)	\$1.27	\$1.69	+\$0.42
Students served	635,340	857,520	+222,180

Several points stand out:

- The gap is growing. State formula funding for special education increased by \$1.9 billion per year from 2021-22 to 2024-25, but costs rose faster, and the statewide shortfall grew by about \$420 million.
- Federal support per student is falling. IDEA funding increased in total, but TEA reports it decreased by \$219 per special education student as enrollment grew. SHARS reimbursements decreased by about \$600 million per year.
- The \$1.69 billion deficit equals nearly \$2,000 for every special education student in 2024-25, paid from district general operating funds.

District examples include Austin ISD, which spent almost \$170 million on special education in 2024-25 but received \$96.6 million from the state for special education³, and Fort Bend ISD, where state and federal funds covered about three-quarters of special education costs, leaving the district to cover the remaining \$33.6 million.⁴

²[Investments in Special Education](#), Texas Education Agency, p. 7, Special Education Funding & Expenditures. FSP funds include the Special Education Allotment, special education transportation, the CCMR Outcomes Bonus for students with disabilities, and the portion of the dyslexia allotment for students with disabilities. Expenditures and SHARS revenue are district-reported PEIMS amounts.

³[How much does Texas spend on special education services?](#), Austin American-Statesman (2026), citing TEA data.

⁴[Texas special education funding coverage](#), Texas Tribune (Mar. 17, 2025).

Recent state action: House Bill 2 (89th Legislature)

House Bill 2 implemented the central recommendation of the 2022 Texas Commission on Special Education Funding by moving from funding based on instructional setting to funding based on the intensity of services a student receives, beginning in 2026-27.⁵⁶

HB 2 Special Education Funding Provisions		
Provision	Effective	Statewide Value
\$1,000 per full individual and initial evaluation	2025-26	~\$179 million per year at 2024-25 evaluation volume
Intensity-of-service tiers and service groups	2026-27	~\$250 million per year above prior formulas
Special education transition funding	2026-27	\$250 million over the biennium
Day placement program funding	2026-27	\$250,000 launch; \$100,000-\$250,000 per year per program

TEA estimates the evaluation funding adds about \$201 per special education student and the intensity model adds about \$274, or about \$475 per student combined.⁷ Applied to 2024-25 enrollment, that is about \$407 million per year. If 2024-25 costs held constant, about \$1.28 billion of the annual gap would remain. Special education enrollment grew by another 45,552 students in 2025-26, so the actual remaining gap is likely larger. TEA has not yet released the tier weights for the new model, and the \$250 million increase is a fixed statewide target set in law, not a measure of the difference between what special education costs and what it is funded.

Evaluations for Education Savings Account applicants

Senate Bill 2 (89th Legislature) created Texas Education Freedom Accounts (TEFA), the state's education savings account program. Most students qualify for about \$10,500, but a student with a disability can receive up to \$30,000. The additional amount is based on the state special education funding the student would generate, which requires a special education evaluation and an "EFA IEP" from a public school district. Under federal Child Find requirements, districts must evaluate private school and homeschooled children on the same timelines that apply to enrolled students: respond to a request within 15 school days, complete the evaluation within 45 school days of consent, and hold an eligibility meeting within 30 calendar days. Districts must then upload the evaluation and EFA IEP to TEA for the Comptroller.⁸

In the program's first application cycle, the Comptroller's office reported that 43,000 applicants indicated a disability and about 80% of them sought evaluations from public schools, or roughly 34,400 students. Almost 30,000 recipients were awarded additional special education funds.⁹ Districts report the effect directly. Cypress-Fairbanks ISD's evaluation requests for students not enrolled in the district rose from about 360 to 921, and the district spent \$275,000 more on

⁵⁶[HB 2 Implementation: Special Education Program and Funding Updates](#), Texas Education Agency, To the Administrator Addressed (Sept. 18, 2025).

⁶[Special Education Funding Updates](#), Texas Education Agency, To the Administrator Addressed (Apr. 16, 2026).

⁷[Investments in Special Education](#), Texas Education Agency, p. 7.

⁸[Senate Bill 2: Education Savings Accounts and Children with Disabilities](#), Texas Education Agency, To the Administrator Addressed (Nov. 20, 2025).

⁹[Voucher Program Fuels Surge In Special Ed Evaluations, Straining Public Schools](#), Disability Scoop (June 4, 2026), republishing Houston Chronicle reporting; applicant figures from the Texas Comptroller's office.

those evaluations. Victoria ISD received 111 private school evaluation requests, compared with an average of 31 per year over the previous five years. A single evaluation takes 10 to 30 hours of staff time across several days.¹⁰

HB 2 provides \$1,000 for each initial evaluation, including evaluations of children not enrolled in public school. Districts report that an evaluation costs from \$1,000 to more than \$5,000. The \$1,000 does not cover the eligibility meeting, the EFA IEP, or portal reporting for students who already had an evaluation. The district does not serve these students and receives no other funding for them.

Estimated Cost of ESA-Related Evaluations (34,400 Students)			
Cost per Evaluation	Total Cost	State Funding (\$1,000 each)	Unreimbursed District Cost
\$1,500	\$51.6 million	\$34.4 million	\$17.2 million
\$2,500	\$86.0 million	\$34.4 million	\$51.6 million
\$3,500	\$120.4 million	\$34.4 million	\$86.0 million
\$5,000	\$172.0 million	\$34.4 million	\$137.6 million

Cost Formula: Unreimbursed District Cost = Students Seeking Evaluations × (Cost per Evaluation – \$1,000), using 34,400 students (43,000 × 80%). These evaluations are added to districts' existing workload of 178,645 initial evaluations in 2024-25, about 19% more, using the same diagnosticians and school psychologists under the same timelines.

Funding Option

The following concept would align state funding with the cost of the special education requirements the state sets.

Fund Special Education at Actual Cost

Concept: Set the new intensity-of-service tier weights and service-group amounts at levels that close the statewide gap between dedicated special education funding and district special education expenditures, rather than at a fixed statewide target.

Example: In 2024-25, districts spent about \$9.83 billion on special education and received about \$8.16 billion in dedicated funding. Closing that gap would fund special education at its reported cost.

Advantages:

- Uses TEA's own expenditure and funding data.
- Builds on the intensity-of-service model already in law.
- Reduces the use of general operating funds for a mandated program.

Cost Formula: Remaining gap = 2024-25 net deficit – estimated HB 2 increase (\$1.69 billion – (\$475 × 857,520 students ≈ \$407 million) ≈ \$1.28 billion).

¹⁰[Confusing school voucher rules block Texans from up to \\$30K](#), Texas Tribune (Mar. 12, 2026).

Estimated Annual State Cost	
Share of Remaining Gap Closed	Estimated Cost
50%	\$640 million
75%	\$960 million
100%	\$1.28 billion

Policy Rationale: Districts cannot reduce special education services to fit available funding. When the state requires a service, the state formula should reflect its cost.

Considerations: TEA has not yet released the tier weights or service-group amounts. As of its June 18, 2026 update, TEA reported that they "have not been determined because data is not yet available." The Commissioner must submit estimated weights and amounts to the Legislative Budget Board by December 1, 2026, and final weights will be set at settle-up in September 2027.¹¹

Under current law, those final weights will be adjusted so that total statewide special education funding is about \$250 million more than the prior formulas would have provided. That target is a fixed amount set in statute. It is not tied to what districts actually spend, and it covers about one-fifth of the remaining \$1.28 billion gap. The 90th Legislature will have the Commissioner's estimated weights in hand and can direct that they be set to close the cost gap rather than to meet the \$250 million target.

The gap would also need to be recalculated each biennium as enrollment and costs change. TEA could report statewide and district-level expenditures against dedicated funding annually to support weight adjustments.

Impact on Recapture Districts

Funding special education at actual cost through the special education allotment would increase each district's Tier One entitlement. For most districts, the increase would be paid as additional state aid. For districts subject to recapture under Chapter 49, a higher entitlement would reduce the amount of recapture the district owes, allowing more locally raised revenue to remain in the district. The LBB fiscal note for the 2025 increase in the School Safety Allotment (SB 260) shows how this works for formula increases: its estimated state cost includes reduced recapture payments of \$30.3 million in fiscal year 2026 and \$39.0 million in fiscal year 2027.¹² Because recapture payments are a method of finance for the state, the reduction in recapture is part of the state cost shown in the estimate above, not a cost in addition to it.

Fiscal estimates are preliminary. Special education figures are based on TEA's 2021-22 and 2024-25 statewide special education funding and expenditure data and TEA's estimated per-student effects of HB 2, as presented to the House Committee on Public Education in 2026; component amounts are read from TEA's chart and rounded, and the net deficits are as reported by TEA. ESA evaluation figures assume each of the roughly 34,400 students seeking a public school evaluation receives one initial evaluation eligible for the \$1,000 allotment and apply the range of per-evaluation costs reported by districts; some applicants already had evaluations, and those meetings and EFA IEPs generate no state funding. Estimates do not include effects on Tier Two funding. Actual fiscal notes would depend on legislative language and TEA implementation.

¹¹[Special Education Funding Updates \(updated June 18, 2026\)](#), Texas Education Agency.

¹²[Fiscal Note, SB 260, Conference Committee Report](#), Legislative Budget Board (May 28, 2025).

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About Texas School Coalition

The Texas School Coalition is a membership organization that was founded in 1997 to represent property-wealthy independent school districts whose local tax collections are subject to recapture. The mission of the Texas School Coalition is to advocate for the resources to provide all Texas public school students an excellent education and for a school finance system that balances sustainable state and local investments in the best interests of students and taxpayers.