



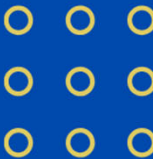
Coffee & Conversation

School Finance and the Texas Legislature

SEPTEMBER 15, 2023



TEXAS SCHOOL
COALITION



Overview

- I. School Finance & Recapture
- II. HPISD Legislative Priorities
- III. Actions of the 88th Legislature
- IV. Progress on Priorities
- V. What's Next?
- VI. Questions & Answers



How does school finance work?

- The legislature sets the cost of each student through the **basic allotment** and other weighted formulas
- The **number of students who show up each day**, combined with the formulas determine the size of the overall base budget
- The school district has limited authority to add “**enrichment pennies**” to increase the budget
- **Local property taxes** are used first to fund that budget. When they are insufficient, state aid fills the gap. If local property taxes produce more than the state-determined cost, **the “excess” is recaptured.**

Student Counts
Property Values
Tax Effort



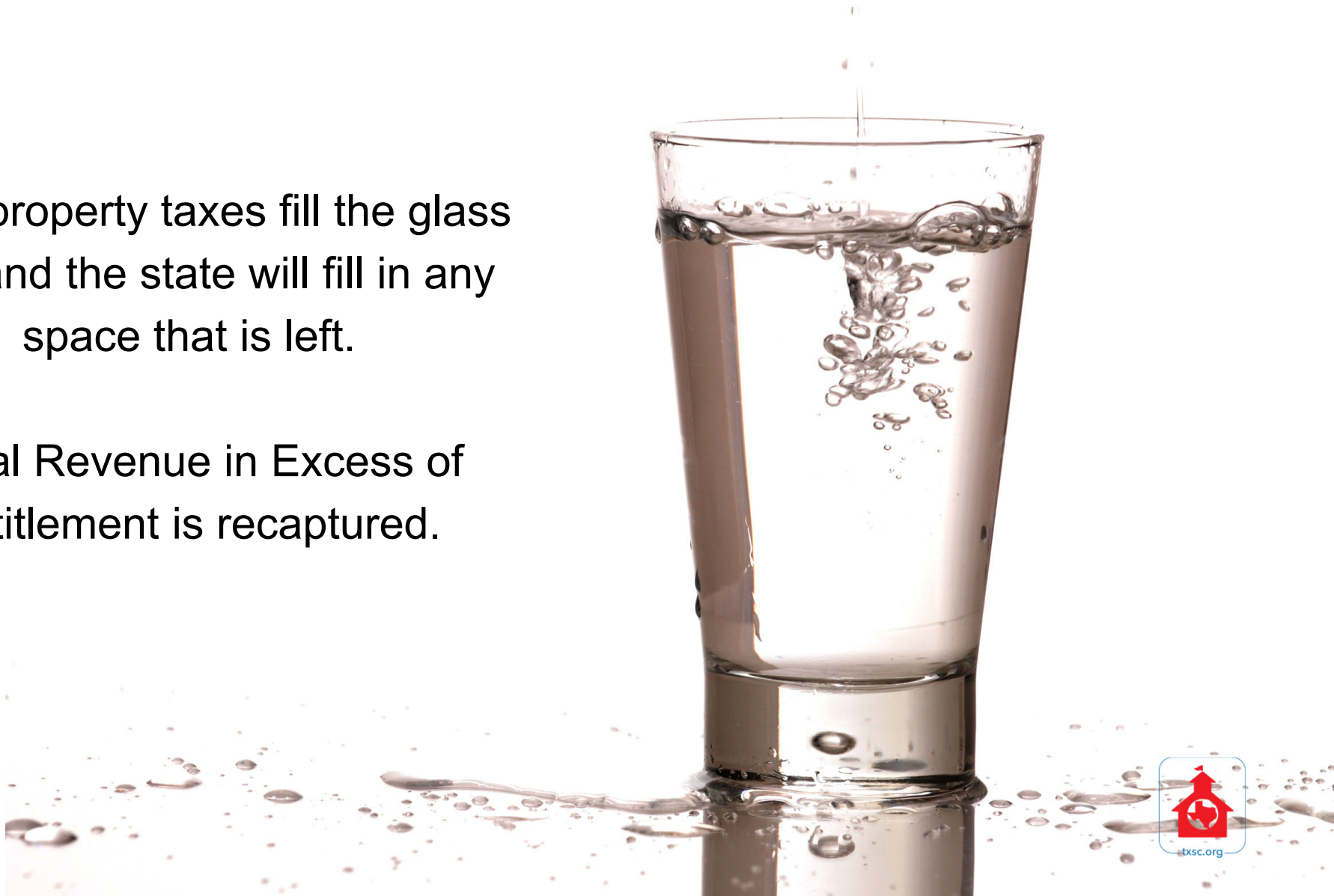
Formulas in state law determine the size of the glass (district's entitlement) based on:

- Basic Allotment
- District characteristics
- Student characteristics
- Other additional funding not on a per-student basis (such as outcomes-based incentives)
- District tax effort

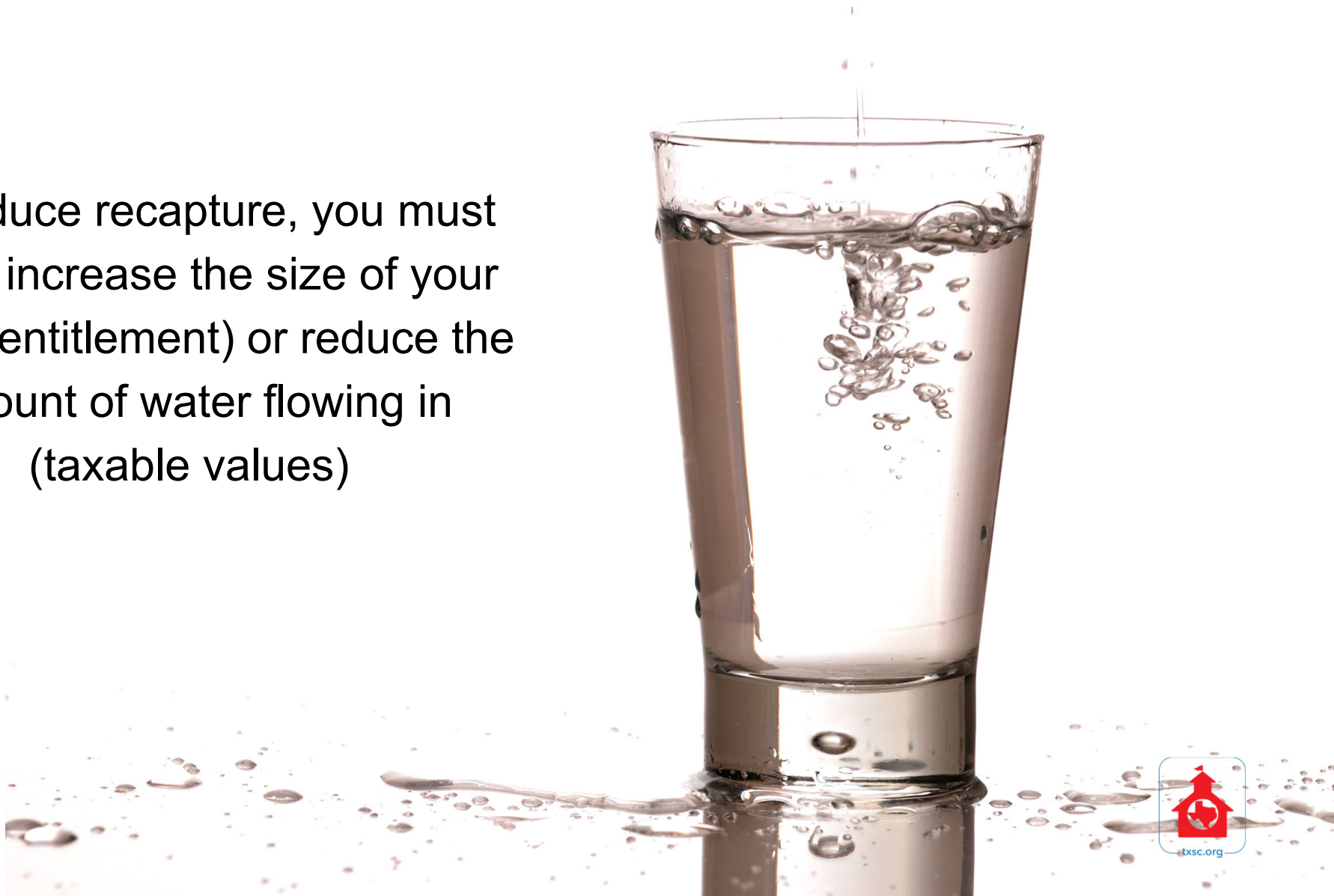


Local property taxes fill the glass first, and the state will fill in any space that is left.

Local Revenue in Excess of Entitlement is recaptured.



To reduce recapture, you must either increase the size of your glass (entitlement) or reduce the amount of water flowing in (taxable values)





What is recapture?

- A method of equalizing varying degrees of property wealth among Texas school districts.
- Known as “Robin Hood” due to “stealing from the rich”
- Not necessarily giving to the poor

The Texas Legislature reduced recapture in 2019 with HB 3



Sort of, but not really.



HB 3 reduced recapture compared to what it could have been absent change.

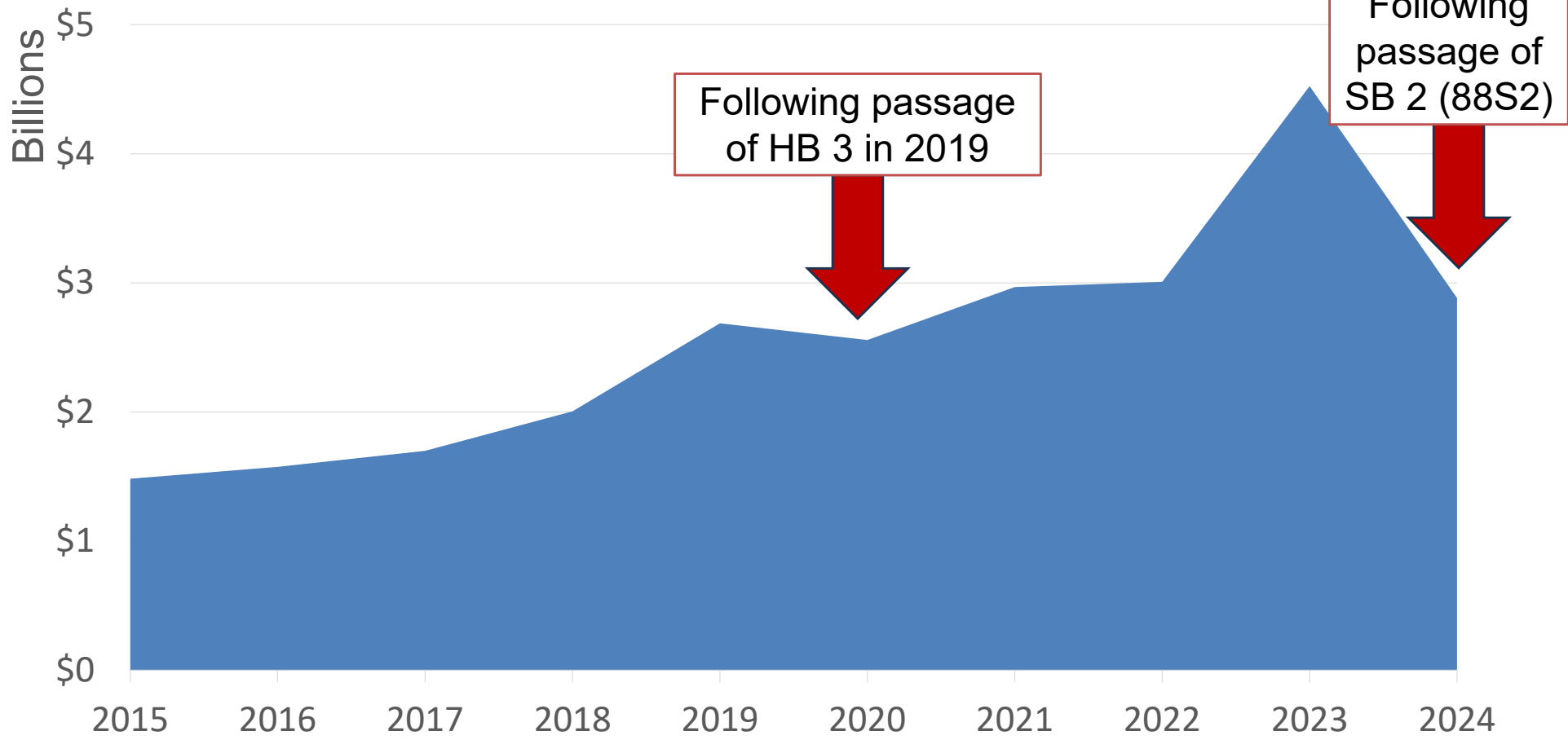


HB 3 provided a slight one-year reduction, but now recapture is back above pre-HB 3 levels.

COMMON
MISPERCEPTIONS



Statewide Recapture 2015-2024



Recaptured funds benefit schools in need with low wealth levels.



Recapture benefits the state, not other school districts.



Formulas determine entitlement; growth of recapture doesn't change that.



Funding levels are the same, so it's simply a matter of the source of funding--who pays.

COMMON
MISPERCEPTIONS



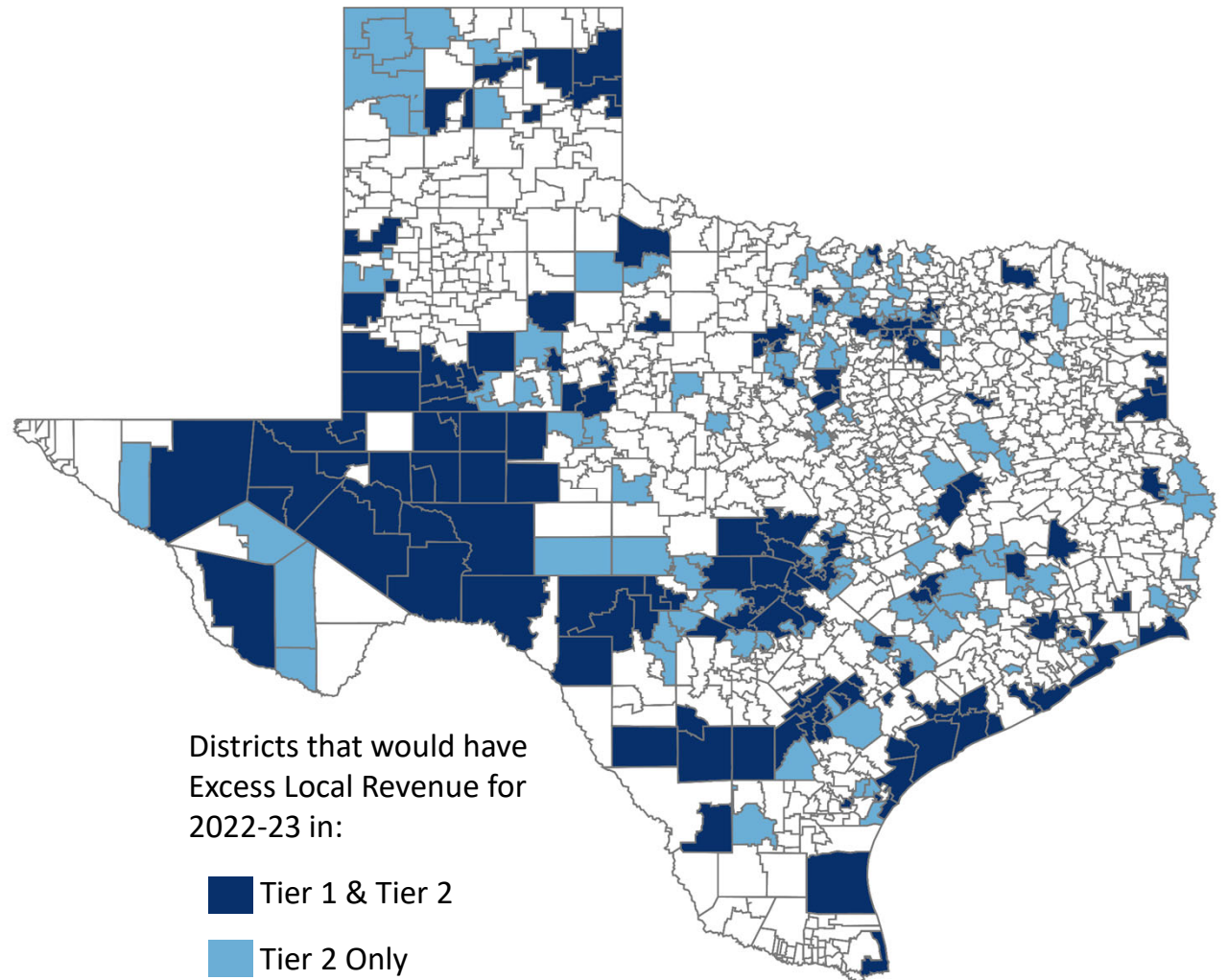


The Appropriations Shell Game

Every two years, legislators underestimate the total amount that districts will pay in recapture. Then, when districts pay more than projected, legislators use those recapture dollars to replace other state funding that would have gone to schools.

SB 30, the Supplemental Appropriations Act, reduced spending for the Foundation School Program by \$8.2 billion for FY 22-23. \$2.4 billion of that is due to higher-than-expected recapture.

Recapture districts can be found in nearly every region of the state.



Source: TEA Website 2023 Excess Local Revenue Notification List

Top 10 Recapture Districts

Districts Paying the Most Recapture 2023-24

	School District	Recapture
1	Austin ISD	\$694,475,177
2	Pecos-Barstow-Toyah ISD	\$189,213,180
3	Plano ISD	\$156,872,880
4	Wink-Loving ISD	\$139,446,806
5	Midland ISD	\$107,896,521
6	Eanes ISD	\$93,423,375
7	Rankin ISD	\$91,265,536
8	Highland Park ISD	\$89,324,074
9	Grady ISD	\$59,050,664
10	Glasscock County ISD	\$53,952,771

Districts Paying the Most Recapture as Percent of Total M&O Tax Collections 2023-24

	School District	Recapture	% of collections
	Rankin ISD	\$91,265,536	84.4%
	Grady ISD	\$59,050,664	84.1%
	Wink-Loving ISD	\$139,446,806	84.1%
	Sands CISD	\$26,163,446	83.5%
	Culberson County-Allamore ISD	\$48,047,027	82.3%
	Pecos-Barstow-Toyah ISD	\$189,213,180	81.9%
	McMullen County ISD	\$21,579,194	81.4%
	Westhoff ISD	\$6,558,462	81.2%
	Kenedy County Wide CSD	\$7,353,736	79.5%
	Glassrock County ISD	\$53,952,771	79.3%
21	Highland Park ISD	\$89,324,074	60.8%

Source: TEA SOF Preliminary Data 2023-2024, accessed 9/11/2023

Paying less recapture means the district would have more \$ with which to serve students



Possibly, depending how recapture was reduced.



If just because taxpayers pay less, schools have less money to use to serve students.

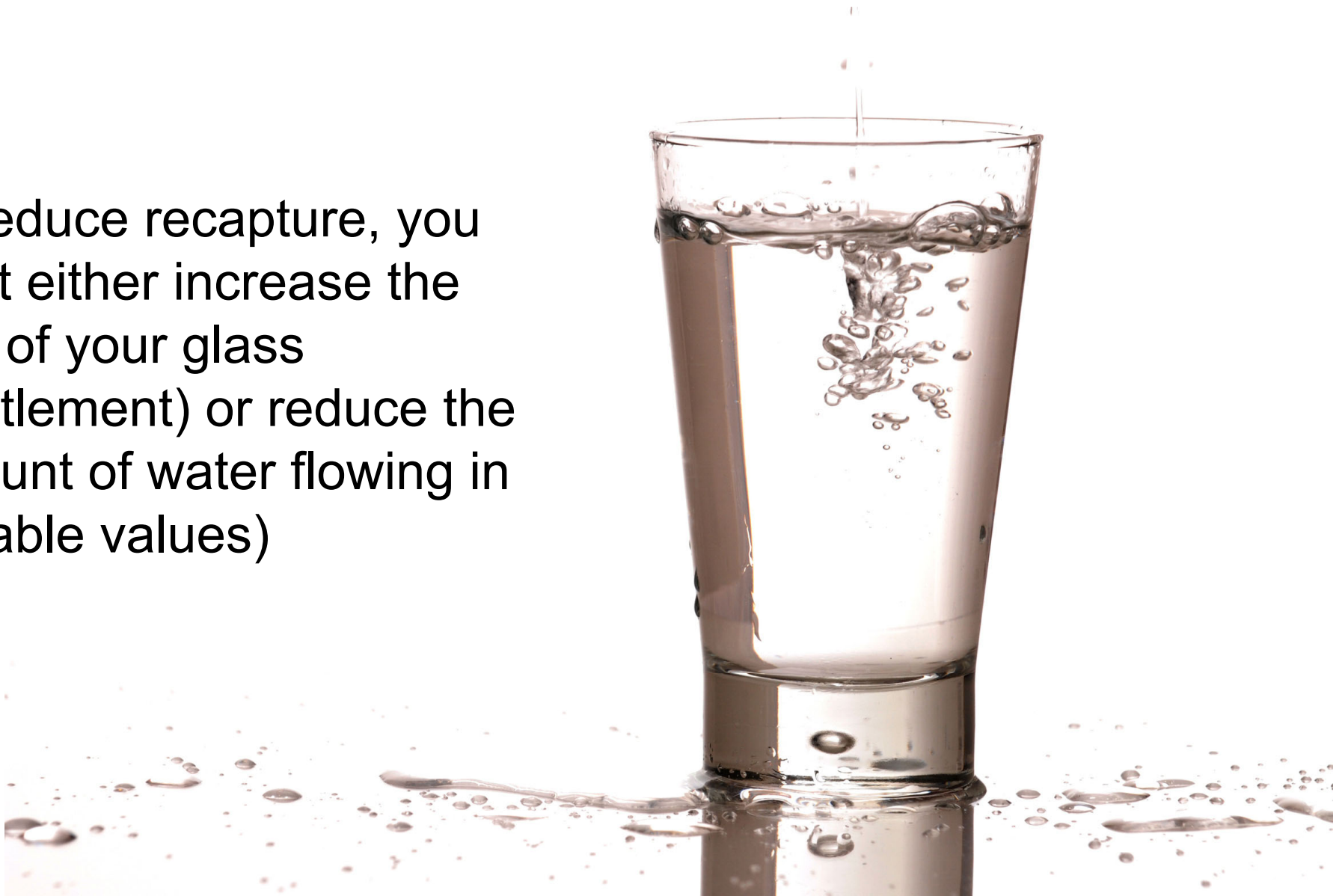


If reduction is due increased state funding, that allows more local dollars to stay local.

COMMON
MISPERCEPTIONS



To reduce recapture, you must either increase the size of your glass (entitlement) or reduce the amount of water flowing in (taxable values)



Impact of tax compression on school budgets

Tax compression does not change the size of the glass, or the district's budget. It alters the share of state and local funding. Compression benefits taxpayers, but is not an investment in schools.

Avg. Tax Rate: \$0.9124



2022-23

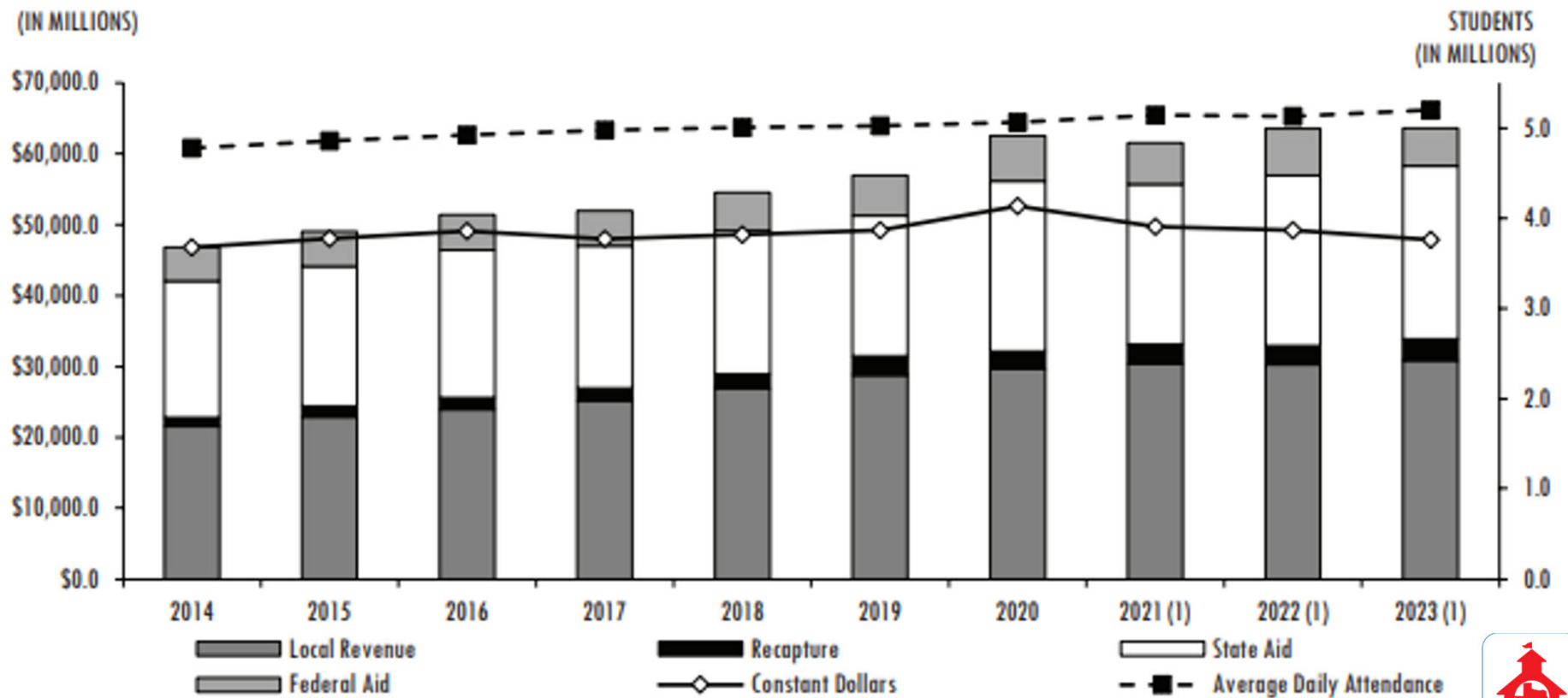
Avg. Tax Rate: \$0.7312



2023-24



FIGURE 154
PREKINDERGARTEN TO GRADE 12 TEXAS EDUCATION AGENCY FUNDING IN ACTUAL AND CONSTANT DOLLARS
FISCAL YEARS 2014 TO 2023



Source: Legislative Budget Board

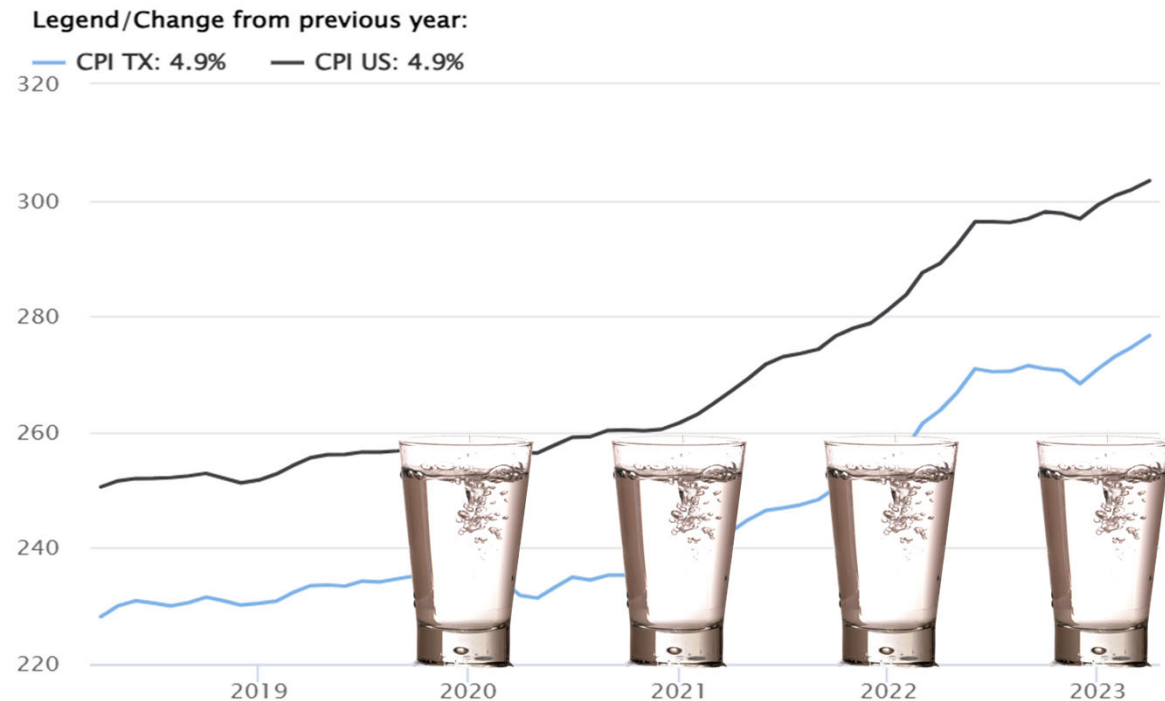


What happens to school funding as property values grow?

Measures of Inflation

Without formula increases, school funding per student is flat, even when property values, and therefore taxes, increase.

The rate of inflation has increased by 17.2% since 2019 (the last time Texas school funding formulas were adjusted).



*Excluding food and energy

Source: US Bureau of Labor Statistics and Comptroller of Public Accounts, based on data provided by Bureau of Labor Statistics





Highland Park ISD 2023 Legislative Priorities

- Obtain additional school funding to support student learning in HPISD; reduce impact of recapture

HPISD asks for state lawmakers to reduce the impact of recapture on school districts throughout the state of Texas by:

- Providing property tax relief
 - Increasing the basic allotment
 - Allowing school districts to receive a discount by making early recapture payments
 - Allowing school districts to access additional golden pennies
- Ensure accountability of public dollars
 - Preserve local decision-making



The Case for a Inflation-Adjusted Basic Allotment

Adjusting the Basic Allotment for estimated inflation from 2019 through 2023 (17%) would mean a \$1,000 increase.

BA	Increase from Current BA	Two-Year Statewide Total Cost
\$6,160	--	--
\$6,260	\$100	\$1.443 billion
\$6,360	\$200	\$2.896 billion
\$6,460	\$300	\$4.353 billion
\$6,560	\$400	\$5.812 billion
\$6,660	\$500	\$7.272 billion
\$6,760	\$600	\$8.732 billion
\$6,860	\$700	\$10.194 billion
\$6,960	\$800	\$11.656 billion
\$7,060	\$900	\$13.118 billion
\$7,160	\$1,000	\$14.581 billion

Source: Consumer Price Index (CPI)



The 88th Regular Session



How it started

TEXAS LEGISLATURE 2023

Texas lawmakers will have \$188.2 billion available for the next budget after record-breaking revenue growth

It's far more money than legislators have ever had at their disposal, with an increase in available funds that dwarfs any previous jumps between cycles. It's also more money than lawmakers can constitutionally spend.

BY **KAREN BROOKS HARPER** JAN. 9, 2023
UPDATED: JAN. 10, 2023

TEXAS LEGISLATURE 2023

How could Texas spend its record \$32.7 billion surplus?

If Texas' budget surplus were distributed directly to Texans, it could pay for 12 years of school lunches, seven months of rent or 11,000 miles of travel. Here's how to put the big number into perspective.

BY **KAREN BROOKS HARPER, YURIKO SCHUMACHER** AND **ALEX FORD**
MARCH 13, 2023 5 AM CENTRAL



How it ended

TEXAS LEGISLATURE 2023

The regular Texas legislative session started with a record budget surplus and ended with an impeached attorney general

The 2023 legislative session started with a \$32.7 billion surplus. It was mired in Republican infighting and multiple scandals. Then, the House impeached the state's attorney general.

BY **KATE MCGEE** AND **MATTHEW WATKINS**
MAY 29, 2023 UPDATED: 10 PM CENTRAL

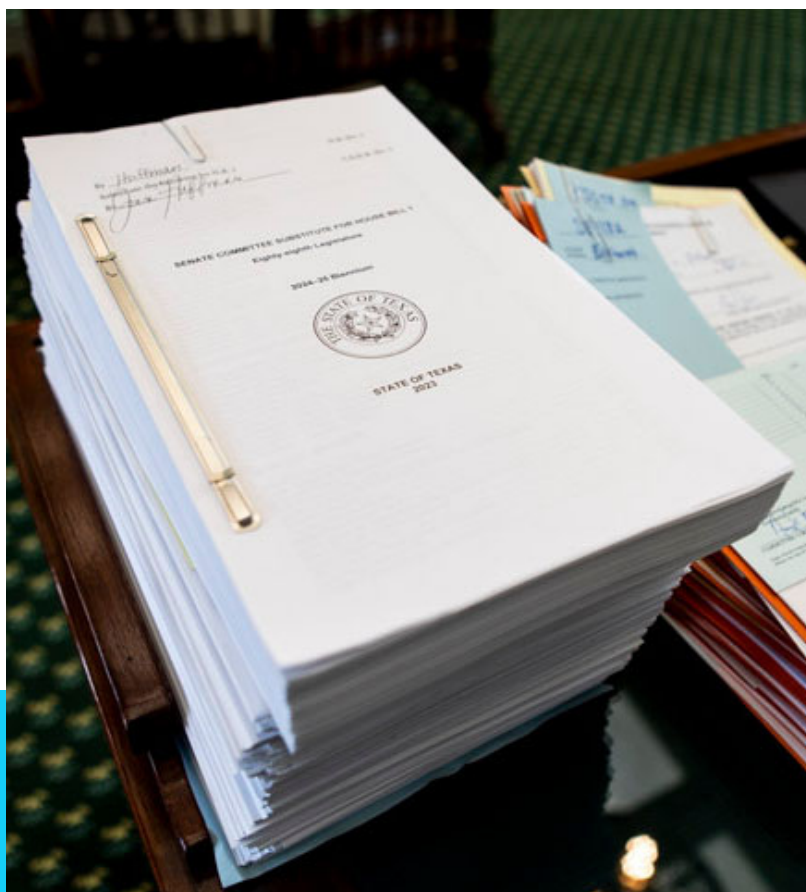
2023 SESSION RECAP

No teacher raises. A failed school voucher push. Armed guards. Here's what changed for public education this legislative session.

Lawmakers sacrificed school funding to block school vouchers, but the issue could be debated again in a special session. Districts will get new funds for school safety, though Uvalde families were ultimately left disappointed with inaction on gun restrictions.

BY **BRIAN LOPEZ** JUNE 2, 2023 5 AM CENTRAL





State Budget & Appropriations

With a record-setting \$32.7 billion surplus, lawmakers were poised to make historic investments in schools and property tax cuts.

HB 1 was touted as the biggest increase in state funding for public education in state history...but due to contingency riders, and legislation that did not pass, that isn't exactly true.



"This budget spends \$8.7 billion in new money for schools."

Sec. 18.78. Contingency for Public Education Funding.

- (a) The following is an informational listing of appropriations made in this rider and elsewhere in this Act to provide additional funding for education in prekindergarten through grade 12:

(in millions)	2024-25
Amounts appropriated in this rider:	
Curriculum	\$500.0
School Safety	\$300.0
FSP Formula Funding Increases and Teacher Compensation (incl. TRS)	\$3,996.7
School Choice	\$500.0
Virtual Education	\$49.4
Amounts appropriated elsewhere in this Act:	
TRS Active Care	\$588.5
Increase in Golden Penny Yield	\$2,366.7
Increase in New Instructional Facilities Allotment	\$60.0
Instructional Materials	\$307.0
GR Totals	\$8,668.3



The Hostage Situation

Hostage Taking

(18 U.S.C. 1203) - Justice Department

Hostage taking is defined as the seizure or detention of any individual compelled by a threat to kill, injure or coerce to detain such individual in order to compel a third person or government official to take some action.

Since a voucher bill failed to pass the House on its own merits, private school vouchers were added to one bill that could increase school funding in the Senate; once it returned to a House with vouchers attached, it was not allowed to pass.

The outcome of the hostage situation was that everyone lost, most especially Texas students.



"This budget spends \$8.7 billion in new money for schools."

	In HB 1 2024-25	Funding Available for 2024-25	New Funding 2024-25
Curriculum/Instructional Materials (HB 1605)	\$500M	\$500M	\$500M
School Safety (HB 3)	\$300M	\$300M	\$300M
FSP Formula Funding Increases and Teacher Compensation (HB 100)	\$3.997B		
School Choice (Education Savings Accounts)	\$500M		
Virtual Education	\$49.4M		
TRS Active Care	\$589M	\$588.5M	\$588.5M
Increase in Golden Penny Yield	\$2.367B	\$2.367B	\$2.367B
New Instructional Facilities Allotment (NIFA)	\$60M	\$60M	
Instructional Materials (IMTA)	\$307M	\$307M	
TOTAL	\$8.67 billion	\$4.12 billion	\$3.75 billion



New Funding for HPISD from the 88th Legislative Session

Lawmakers also provided \$1.1 billion in school safety grants to help schools comply with new Safety & Security Standards

School Safety Allotment

\$151,142

Increases the School Safety Allotment from \$9.72/ADA to \$10/ADA and provides \$15,000 per campus. SSA dollars must be spent on specific purposes spelled out in law, related to safety & security.

TOTAL INCREASE: 0.3%

\$24 per student in Average Daily Attendance





Property Taxes ⋮

In 2021, Texans experienced 6% growth statewide. In 2022, Texans experienced 19% growth statewide. For the reason, among others, property tax relief was the first priority among state leaders.



Impact of tax compression on school budgets

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Avg. Tax Rate: \$0.9124



2022-23

Avg. Tax Rate: \$0.7312



2023-24



**“This is the largest tax cut in Texas History,
and it injects billions of new dollars
into the state’s public education system.”**

Texas School Coalition Statement:

Those dollars do not reach classrooms and they do not give schools more money to pay teachers and meet other needs. It would be disingenuous for any legislator to claim that a vote for property tax relief is a vote to increase funding for Texas classrooms. Property tax relief is good, but it does not provide the net increase in resources that Texas public schools severely need.



The 88th Special Sessions



The Largest Property Tax Cut in Texas History

\$13.3 billion in tax relief (when combined with the \$5.3B from the regular session, that's \$18 billion in property tax relief).

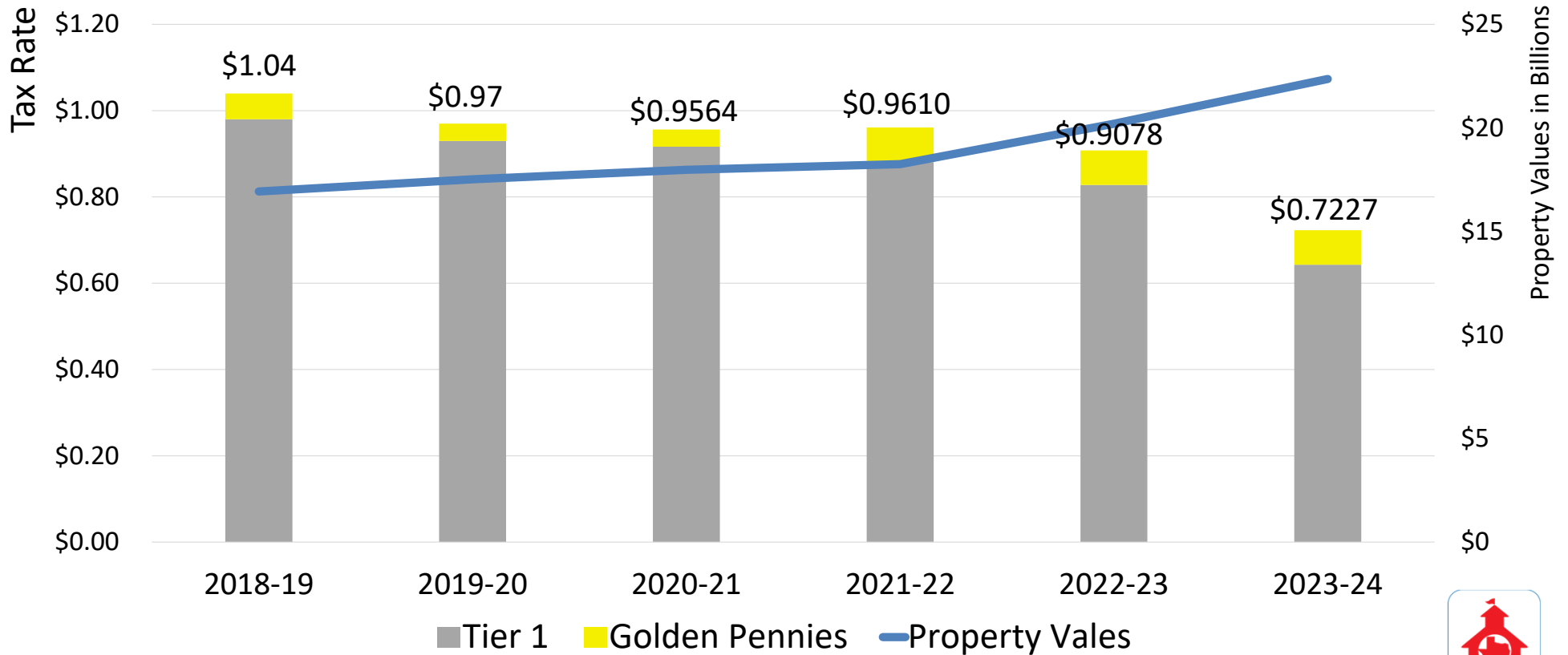
- **10.7 cents additional tax rate compression (+ current law)**
- **\$100,000 homestead exemption**
- **New 20% appraisal cap on non-homestead real property valued at less than \$5 million**



- \$18 billion in tax relief
- Expected to save average homeowner \$1,300 per year, with slightly more for 65+
- 41% reduction in recapture statewide



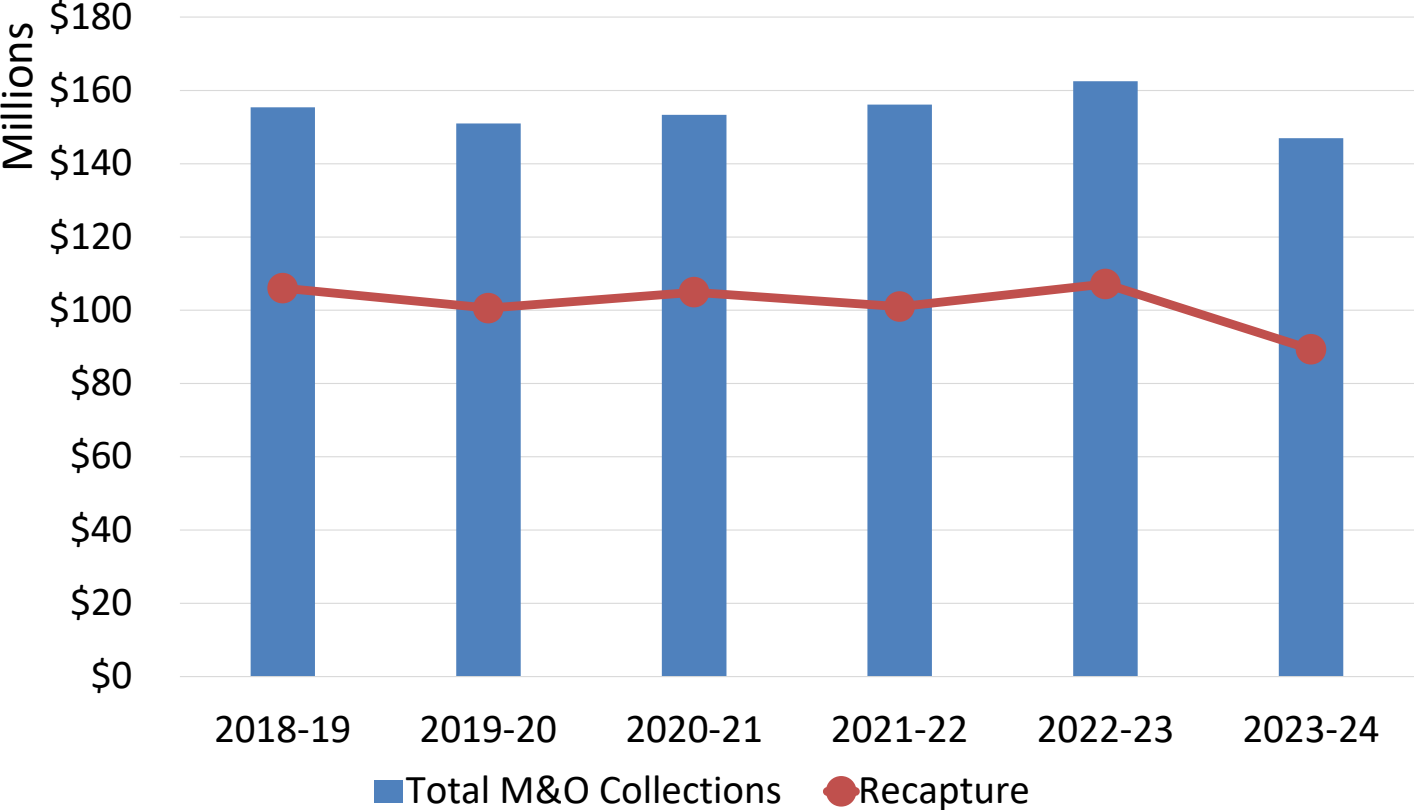
Highland Park ISD Historic Property Values + M&O Tax Rates



*2023-24 value growth are preliminary estimates and subject to change.



Highland Park ISD M&O Property Tax Collections and Recapture



The 16% expected reduction in recapture is caused by the reduction in property tax collections.



Highland Park ISD 2023 Legislative Priorities

- Obtain Additional School Funding to Support Student Learning in HPISD; Reduce Impact of Recapture

HPISD asks for state lawmakers to reduce the impact of recapture on school districts throughout the state of Texas by:

- ✓ ○ Providing property tax relief
- ✗ ○ Increasing the basic allotment
- ✗ ○ Allowing school districts to receive a discount by making early recapture payments
- ✗ ○ Allowing school districts to access additional golden pennies

- ✓ • Ensure accountability of public dollars

- Preserve local decision-making



What options are available?

Budget Cuts

Reducing programs and services for students are never a popular option. Reductions in staff are even less desirable.

Deficit Budget

To avoid cuts districts can adopt a deficit budget and finance ongoing district operations from the fund balance. That reserve fund is for emergency and special purposes and funding will run out over time.

Voter Approval Tax Rate Election (VATRE)

Districts can seek voter approval to tax at a higher rate through a November election, but HPISD has limited pennies left, and remaining pennies of tax effort won't deliver as much revenue due to recapture.

Legislative Appropriation

Legislators have funding available, but are they willing to spend it without passage of a private school voucher bill?



Fall special session expected

Governor Abbott is the only person who may call a special session, and he has promised one on school choice and education freedom in October

October:

1. Follows the conclusion of the impeachment trial
2. Allows for new school ratings to be released
3. Occurs before filing opens for the March 2024 Primary Election
4. Is open season for campaign fundraising



Get to know your HPISD Legislators



Senator Tan Parker
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tan.parker@senate.texas.gov



Chairman Morgan Meyer
512-463-0367
morgan.meyer@house.texas.gov




Questions?



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