
Operation Double Nickel

Lt. Governor Patrick's plan: A \$180,000 homestead exemption and lowering the school tax freeze age from 65 to 55

Legislative Priority

SUPPORT TAX RELIEF THAT PROTECTS SCHOOL FUNDING

The state has committed \$51 billion to property tax relief in 2026-27. TSC supports continued relief that protects public school funding now and in the future.

Background

Lt. Governor Dan Patrick's Operation Double Nickel has two parts. It would raise the general school homestead exemption from \$140,000 to \$180,000, and it would lower the age for the homestead tax ceiling, which freezes a homeowner's school tax bill, from 65 to 55.¹ It would also lower the age for the additional \$60,000 senior exemption, so homeowners 55 and older would exempt \$240,000 of their home's value.

Lt. Governor Patrick estimates the full plan at about \$4 billion; the period is not stated. The age-55 freeze accounts for about \$1.3 billion of that, and the \$40,000 exemption increase makes up the rest.² He estimates 3.3 million of 6.1 million homeowners would have their school taxes frozen.³ Both parts require a constitutional amendment, because the Texas Constitution sets the exemption amounts and the age-65 threshold.⁴

Impact on School Districts

\$180,000 Homestead Exemption

- **Formulas replace lost local revenue.** For districts receiving state aid, the formulas make up the lost local revenue, so their M&O entitlement does not change.
- **Debt service depends on hold-harmless aid.** Past exemption increases came with hold-harmless aid for existing debt. Without it, debt service shifts to non-homestead property. The state already spends about \$1.3 billion a year replacing I&S revenue lost to homestead exemptions.⁵

Lowering the Freeze Age to 55

- **More than half of homesteads frozen.** Lt. Governor Patrick estimates 3.3 million of 6.1 million homeowners would have their school taxes frozen, locking in their school tax bills.
- **New bonds fall on fewer taxpayers.** Frozen homesteads do not pay for new debt. Bond costs shift to younger homeowners and businesses, and districts may need higher I&S rates to cover them.
- **Voters who will not pay the increase.** A VATRE would not raise frozen homeowners' bills, so a large share of voters would decide on tax increases they will not pay.
- **The gap grows every year.** Frozen levies fall further behind market value each year. Unlike an exemption, the revenue gap for districts and the state keeps growing.

¹[Lt. Gov. Dan Patrick wants to increase the homestead exemption for school property taxes again](#), The Texas Tribune (Dec. 9, 2025).

²[Lt. Gov. Dan Patrick wants to increase the homestead exemption in Texas — again](#), KXAN (Dec. 2025); [Texas leaders at odds over property tax relief plan](#), KXAN (Dec. 2025).

³[What does Lt. Governor Patrick's "Operation Double Nickel" do for Texas Taxpayers?](#), Office of Sen. Paul Bettencourt (Dec. 11, 2025).

⁴[Texas Constitution, Article VIII, Section 1-b](#), Texas Legislative Council.

⁵[Texas House Committee Weighs Tradeoffs of Property Tax Relief Proposals](#), The Texan (Sept. 2026).

What Operation Double Nickel Would Cost the State	
Cost	Estimate
Headline cost	About \$4 billion for the full plan (period not stated)
Components	Age-55 freeze about \$1.3 billion; the \$40,000 exemption increase makes up the rest
Growth	Freeze cost grows as frozen values fall behind market value
Recapture the state would lose	Not estimated
Sales tax equivalent	About half a cent of state sales tax, if the \$4 billion is annual
Cost risk	Smaller today, but the freeze cost compounds every year

Plan estimates are from Lt. Governor Patrick (December 2025). The sales tax equivalent is a TSC calculation: \$4 billion divided by about \$7.443 billion per cent of state sales tax, the figure used in House Ways and Means testimony on Sept. 15, 2026. It assumes the \$4 billion is an annual cost.

Policy Recommendation

Texas School Coalition supports property tax relief that protects school funding now and in the future. If the Legislature advances Operation Double Nickel, TSC recommends:

- **Fund relief through permanent formulas:** Replace lost local revenue through predictable, permanent formulas that keep pace with enrollment and inflation, not short-term hold harmless provisions.
- **Hold debt service harmless:** Provide state aid for the bond revenue lost to the higher exemption and the expanded freeze, for existing debt and for future bonds voters approve, so the cost does not shift to other taxpayers.
- **Fund the full and growing cost of the freeze:** The fiscal note and the state budget should account for how the cost of the age-55 freeze grows each year as frozen values fall behind market value.
- **Preserve voter-approved enrichment:** Protect Tier 2 enrichment support so districts can still raise the funds their voters approve.
- **Report the effect on recapture:** The fiscal note should show how much recapture the state would lose and which districts would leave Chapter 49.

Impact on Recapture Districts

A higher exemption lowers taxable value and property wealth per student. Recapture payments fall, and some districts would leave Chapter 49. The state pays more aid and collects less recapture, which reduces the state savings recapture provides now.

Recapture reduces what the state must spend to fund the Foundation School Program, so every dollar of recapture lost must be replaced from other state revenue. Lt. Governor Patrick's \$4 billion estimate does not include that lost recapture.

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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.