



Less Complicated, More Innovative

– Simplifies school finance

- While simplicity is not the primary goal, having a system that legislators and taxpayers can understand is important for maintaining transparency and for budgeting and planning purposes for the state and local school districts

– Reduces number of recaptured schools

- The state's heavy reliance on local property tax collections as a revenue source for public education cannot be feasibly replaced or eliminated, but as the efficiency of the overall system improves, the number of schools impacted by recapture lessens.

– Local districts & taxpayers determine the local tax rate and local priorities

- As the efficiency and equity of the system improve, taxpayers will receive the same benefit from their tax dollar as any other taxpayer in the state, thus reducing the need over time for increased property taxes – ideally, the property taxes across the state should begin to level out as the need to raise taxes to keep up with surrounding districts decreases due to a more stable and equitable funding system. If local taxpayers choose to increase taxes to provide for a certain district priority or need, they can be assured their tax dollars are bringing in equal revenue as any other tax dollar in the state would generate.

Provides Stability & Transparency

– Eliminates inefficiencies

- By eliminating many decades-old inefficiencies within the current system, it allows not only for a funding system that is more transparent and easier to understand, but it also provides a clear and predictable method of funding for the state and for school districts. This is important to ensure the state and taxpayers are getting the most for each dollar spent – especially important during times of budget constraints.

– Eliminates penalties to districts facing property value declines

- Certain economic factors are out of a district's control – such as declining property values. This plan ensures these portions of the system are working as designed and account for uncontrollable costs that impact the funding system.

– Provides schools with a steady, reliable revenue source

- Reliable, known, steady funding makes for easier and more accurate budget planning which results in more transparency and better understanding of the funding system for elected officials, school administrators, board members and the community.

Addresses Students' Needs

– Increases the Basic Allotment

- Increasing the basic allotment benefits students in every single Texas school.

– All revenue is based on state-recognized costs of education

- Ensuring that all funding is based on state-recognized costs of educating students; increases efficiency in the system and will allow for easier determination of whether or not funding is appropriate or make for easier examination of weights, allotments, etc.

Works Within Available Funding

- For several sessions now, the ultimate funding level per student has been defined through the appropriations process. This plan works within existing budget constraints and still allows for the appropriations process to determine student funding. This plan does require that dollars from school property tax growth remain in the public education system – by raising the basic allotment to benefit students in every school district.



Recognizing Costs in Education

- There are various elements within our school finance system designed to recognize the cost of educating students and additional hardships certain districts face, such as the [small district adjustment](#).
- This adjustment is given to small schools (fewer than 1600 students) to help offset added costs of operating a small school, costs like hiring and retaining quality teachers, added costs for small class sizes, and more.

Arbitrary Funding Elements Have Real Impact

- Over 30 years ago, the state adopted two formulas for funding small school districts, despite there being no cost-difference to account for the decision, [certain small districts were funded at a lower multiplier than other small districts](#).

Districts > 300 square miles - Receive a multiplier of .0004

Districts < 300 square miles - Receive a multiplier of only .00025

- It doesn't cost a small school district with less than 300 square miles any less to hire teachers or educate students than it does a district with greater than 300 square miles. A small district of 290 square miles misses out on potentially hundreds of thousands of dollars to fund their school just because they happen to be geographically smaller than 300 square miles.
- The small district adjustment is not based on transportation costs (those costs are addressed in the transportation formula). The small district adjustment is provided to compensate for a diseconomy of scale - one caused by having a small number of students.
- It's said this decision was a political effort to force consolidation – though such consolidation rarely happened and as a result, the system has [over 460 small school districts receiving less state aid than other small districts](#).

Simple Solutions Can Work

- All small schools, regardless of whether they are over or under 300 square miles should be afforded the same formula for determining funding. There is no cost-based reason to continue penalizing students and taxpayers in certain small schools across the state.
- The most efficient solution to this decades-old inequity is to [simply remove the punitive small schools formula and fund all small schools at the same state-recognized, cost-based level \(.0004\)](#).

**For more information about how much your students and taxpayers would benefit through the repeal of the punitive small district formula, check out the interactive SDA map or the SDA page on our web site for additional resources: www.equitycenter.org/resources/sda*

It's time to make policy decisions based on the needs of students and taxpayers – policy decisions that level the playing field and treat taxpayers and students fairly.



Every District Pays Recapture...whether high property wealth or low property wealth, all districts pay.

– **Low wealth districts**

- When property values increase, the state benefits from those gains by sending *less* money to the district for public education funding (the state collects the gains).

– **High wealth districts**

- When property values grow beyond a certain level (called the Equalized Wealth Level in statute), the state collects those excess dollars to use for funding the entire public education system (the state collects the gains).

Recapture Saves the State Money

– **Recapture is the State's solution**

- Faced with a choice of how to best access wealth (revenue) from across the state to fund a constitutional statewide public education system, the State designed recapture as the most efficient method of accessing property value from across the state to pay for our public school system.

– **Other possible choices...none are good**

- The state could consolidate school districts in a way that would eliminate all recapture.
- The state could replace local property taxes with a statewide property tax and distribute those proceeds equitably.
- The state could institute a statewide property tax on all business property and distribute those proceeds equitably, while leaving homesteads as the only local tax base.
- The state could eliminate local property taxes for school districts, and find some other source of revenue (increased sales tax, income tax, increases in other statewide taxes)

Recapture Provides Efficiency and Equity...and is constitutional (upheld in every major court decision)

– **Efficiency and Recapture**

- The method of gathering wealth from across the state and using it to fund the statewide public education system is an efficient one; given, there are various loopholes and inefficiencies that have crept in that reduce the overall efficiency of the system, but recapture itself is not the problem.

– **Equity and Recapture**

- Collecting revenue due to a district's high property values for the benefit of all schools in the state is one way of meeting the constitutional requirements for similar educational opportunity for similar tax effort, and for providing substantially similar funding for students. Without recapture, funding gaps between students in property wealthy and property poor districts would be astronomical and unconstitutional.

Recaptured Districts Have the Advantage

– **Higher Student Funding Levels**

- Despite all the hype and talk surrounding recapture, property wealthy districts paying recapture still enjoy all the advantages that being funded at a higher level than other districts in the state affords. Even after paying recapture, the difference in funding levels per student between the Tier 1 recaptured districts and non-recaptured districts averaged over \$1000 per weighted student for M&O costs in 2016.*

– **Lower Local Property Taxes**

- Even though the district pays recapture, taxpayers in Tier 1 recaptured districts on average enjoy a 6-cent lower property tax rate than what taxpayers in non-recaptured districts pay.* This means the very districts receiving the higher funding levels also enjoy some of the lowest property tax rates in the state, while the lowest-funded districts often have the highest tax rates with many maxed out on their local buy-in.

**Based on TEA FY16 Near Final numbers*

The simple truth is, (just like on your income taxes) it's not about what you send in, it's about what you keep. Aren't I generally better off to be in a higher tax bracket, not a lower one? It means I have more to do with than I would otherwise, even after my taxes. The same concept applies to recapture – it's still about what you keep.



ASATR Served its Purpose as Transitional State Aid

– The 82nd Legislature established clear intent to reduce and repeal ASATR by 2018, and that intent should be honored.

• *It is the intent of the legislature, between fiscal year 2014 and fiscal year 2018, to continue to reduce the amount of ASATR to which a school district is entitled under Section 42.2516, Education Code, and to increase the basic allotment to which a school district is entitled under Section 42.101, Education Code. (SB 1 – Section 57.34, 82nd legislative session, 1st called special session)*

– ASATR (Additional State Aid for Tax Reduction) was created to serve as a temporary hold harmless in response to the 2006 property tax cuts, and after being extended for 11 years, has clearly served its original purpose.

- The State has paid over \$22 billion in ASATR funding.*
- The 2015 Legislature voted down numerous attempts to extend ASATR, signifying their support of the end of ASATR.
- The statutory expiration of ASATR in September 2017 provides that any extension of ASATR is in fact the creation of a *new* hold harmless and would result in the allocation of new public funds.

Funding Not Based on Costs is Inefficient

– Continuing to fund ASATR, which is not based on actual costs of educating students is an inefficient use of state and taxpayer funds. Funding elements not based on costs are simply not sustainable.

- Well over 800 districts across the state educating 95% of the student population are denied access to additional funding in order to continue funding ASATR for districts educating less than 5% of the student population;
- That being said, ASATR districts on average (even after the repeal of ASATR) are funded at higher levels while enjoying lower property tax rates than the majority of non-ASATR districts.

State & District Budgeting & Planning Needs

– The 2011 statute to end ASATR in 2017, provided districts a 6-year notice period and ample time to prepare and budget accordingly for the end of ASATR, such a planning period does not constitute a fiscal cliff.

- If ASATR districts cannot transition after 11 years to a level of funding still higher than what many similar districts across the state receive, the purpose of ASATR is not transitional aid, but rather a permanent gift of state funding to a select group of districts.

Ask yourself this important question:

How do things measure up for your districts and taxpayers?

Find out:

Your district's funding level per WADA _____

Your local M&O tax rate _____

Compare to average ASATR district info:

Funding level per WADA \$7,117

Average tax rate \$1.031

**Based on TEA FY17 preliminary numbers, November update.*

Simply Put -

The State cannot afford to continue costly funding elements that do not serve a cost-based function of educating students. ASATR is one such funding element that does not meet the constitutional requirement of providing similar educational opportunity for similar tax effort...ASATR funding is all over the place.

It's time to make policy decisions based on the needs of students and taxpayers – policy decisions that level the playing field and treat taxpayers and students fairly.

**Data based on most recent TEA Summary of Finance*



Taxable Value is Determined by the Comptroller

– **Only the Comptroller of Public Accounts can determine taxable value.** The only reference to taxable value in the Education Code is Subchapter M, 403.302, Government Code. This definition applies to all districts - both property wealthy and property poor school districts, and has been interpreted the same way in determining taxable value (and subsequently determining district wealth and district funding) by the previous seven commissioners of education, dating back to at least the 1990s.

Making a Change...But Only for Some

– **The recent rules change only affects districts with LOHEs.** Less wealthy districts are proportionately less likely to have LOHEs; they just can't afford them because their funding is already so low and it would just drive up their tax rates; that is, to the limited extent they have any capacity left. The State paying for half of the cost of Ch. 41 LOHEs would benefit the wealthiest, highest-funded districts the most and just add to the already excessive inequity that is in the system.

- Houston ISD alone will benefit **more than 25 times** the amount that all IFA and EDA districts together will benefit. Saying that Chapter 42 districts benefit by this new interpretation is technically true, but not practically so. In fact, our calculations show that **nearly all of the money will go to just three wealthy districts**, with Houston leading the way.

– What about neighboring Aldine ISD? Aldine ISD taxes 10.67 cents higher on its M&O tax rate and cannot afford to provide a local option homestead exemption. Aldine effectively taxes 31.2 cents higher on homesteads and taxes 10.67 cents higher on commercial and other property...their overall M&O effective tax rate is 15.93 cents higher—and for all of that extra effort on the part of Aldine ISD taxpayers—Aldine children get only \$6.00 more per child than Houston... who taxes at \$1.02 with an optional local homestead exemption of 20% and virtually the same funding level.

Big Money, Bad Precedent

– Estimated to be \$100 million this year, and upwards of \$300 million cost to the next biennium's budget and growing, this change alone results in **significant costs to the State** and sets a precedent of the state choosing to take on the burden of an *optional local* tax exemption policy. Imagine if other large districts across the state adopted local option homestead exemptions, only to turn around and request the state foot their bill as well? The costs would be alarming.

	Adopted M&O Tax Rate	Local Option Homestead Exemption Percentage	True Tax Rate on Homesteads	True Tax Rate on all Other Property	True Combined Tax Effort Rate	M&O Revenue per WADA after Recapture*
Houston ISD	\$1.0267	20%	\$0.8214	\$1.0267	\$0.9741	\$6,222
Aldine ISD	\$1.1334	NONE	\$1.1334	\$1.1334	\$1.1334	\$6,228
Aldine's Disadvantages	10.67 cents higher rate	20% higher homestead tax rate	31.2 cent higher effective tax on homes	10.67 cents higher rate	15.93 cents higher effective tax rate	Virtually same funding level

*Based on most recent TEA online Summary of Finance at time of writing.

It's time to make policy decisions based on the needs of students and taxpayers – policy decisions that level the playing field and treat taxpayers and students fairly, not decisions that carve out exceptions for some.