

Overview of the Texas School Finance System

June 10, 2020

TEXAS TAXPAYERS
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Agenda

1. Texas Public School System
2. Public Education Funding in the State Budget
3. Foundation School Program
 - a) Tier 1 Formulas
 - b) M&O Tax Rate Reduction (Compression)
 - c) Tier 2 Enrichment Tax
 - d) Facilities
4. Tax Ratification Election (TRE)
5. Recapture (“Robin Hood”)
6. Charter Schools



Texas Public School System



Texas Public School System

More school districts than any other state

1,200 school districts

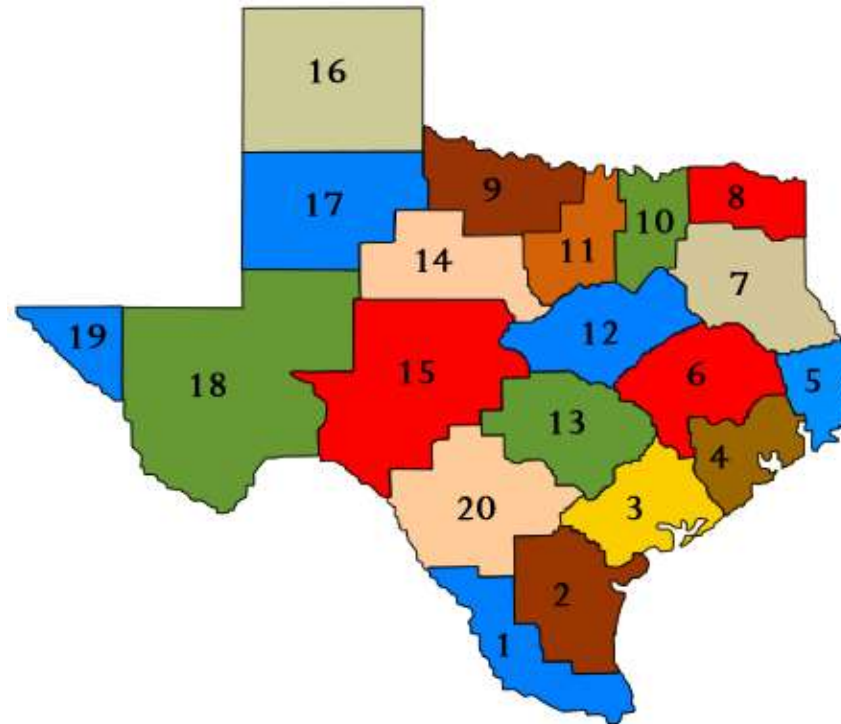
- 1,016 independent districts
- 6 special districts (military, etc.)
- 178 charters

2nd highest number of campuses of any state

8,759 Campuses

- Includes 705 charter campuses

Texas Public School System (cont.)



20 Regional Education Service Centers

- Assist school districts with improving student performance, operate more efficiently, provide services for students, etc.
- Governed by a 7-member board elected by school boards in the region
- Funded through grants and contracts

Texas Public School Employment 2018

More school employees than any other state

	2018	% of Total
Total Employees	711,768	
Teachers	356,838	50%
Administration	29,182	4%
Professional Support	69,753	10%
Educational Aides	71,889	10%
Auxiliary Staff	183,636	26%

Source: Texas Education Agency; Snapshot 2018



Texas Public School Enrollment 2018

2nd highest number of students of any state

	2018	% of Total
Total Enrolled Students	5,385,012	
African American	700,052	13%
Hispanic	2,800,206	52%
White	1,507,803	28%
Other	376,951	7%
Economically Disadvantaged (\$47,638 annual income family of four)	3,177,157	59%
Limited English Proficient	1,023,152	19%

Source: Texas Education Agency; Snapshot 2018



Public Education Funding in the State Budget



Public Education Funding

- Public schools receive funding from:
 - **local property tax** revenue
 - **state tax** revenue
 - **federal** revenue
- The **more taxable property value per student** that a district has, the **less state aid** it receives.
- Districts that collect more property tax than their formula entitlement must remit the excess to the state or choose another option to **reduce their access to the additional revenue.**



Funds Dedicated to Public Education

- **Available School Fund** - Article 7, Section 5 of the Texas Constitution directs that earnings from the Permanent School Fund be transferred to the ASF.
 - FY 2019 - **\$2.4 billion** for instructional materials and per student distribution to school districts
- **Motor Fuels Tax (25%)** - Article 8, Section 7-a of the Texas Constitution directs that 25% of motor fuels tax collections be deposited into the Available School Fund.
 - FY 2019 - **\$917 million**
- **Occupation Taxes (25%)**: Article 7, Section 3 of the Texas Constitution directs that 25% of occupation taxes (mostly industry specific gross receipts taxes) be transferred to the Foundation School Fund.
 - FY 2019 - **\$2.2 billion**

Funds Dedicated to Public Education

- **Lottery** - Section 466.355 of the Government Code directs that lottery revenue after prizes and other costs be transferred to the Foundation School Fund.
 - FY 2019 - **\$1.617 billion** (25.8% of total lottery receipts)
- **Property Tax Relief Fund** - Sec. 403.109 of the Government Code directs a portion of the motor vehicle sales tax, cigarette, cigar and tobacco production tax, and franchise taxes to the fund to pay for 2006 tax rate compression.
 - FY 2020 - **\$1.8 billion (estimated)**
- **Tax Reduction and Excellence in Education Fund (TREE)** – Article 7, Section 5 of the Texas Constitution allows ASF transfers of up to \$600 million per year from the SBOE or GLO to the TREE fund.
 - FY 2020 - **\$242.5 million**

Property Tax Rate Components

School district property tax rate components levied per \$100 of value

- **Maintenance and operations (M&O)** tax rate provides funds for maintenance and operations (employee salaries, utilities, supplies, etc.)
- **Interest and sinking (I&S)** tax rate provides funds for payments on the debt that finances a district's facilities.
 - Debt paid by I&S rate requires **voter approval**

HB 3 by Huberty, 86th Legislature

- Implemented the recommendations of the **Texas Commission on Public School Finance**
- Provided **\$6.5 billion in additional funding** to public education and school employee compensation
 - Repealed outdated formula elements, implemented new elements, updated existing elements
- Provided **\$5.0 billion in tax relief**
 - Average of **\$0.08 M&O tax rate** reduction in 2019-20
 - Additional **\$0.05 M&O tax rate** reduction in 2020-21
- Estimated **reduction in recapture of 47%** for the 2020-2021 **biennium** due to formula changes
- **State share** of public education funding **increased to 44%** (from 38%)

Texas Commission on Public School Finance

Created by 85th Legislature in 2017 to recommend changes

Scott Brister, Former TX Supreme Court Justice (*Chair*)

Senate

Senator **Paul Bettencourt** (R-Houston)

Senator **Larry Taylor** (R-Friendswood)

Senator **Royce West** (D-Dallas)

House

Rep. **Diego Bernal** (D-San Antonio)

Rep. **Dan Huberty** (R-Houston)

Rep. **Ken King** (R-Canadian)

Other

Keven Ellis, State Board of Education

Nicole Conley Johnson, CFO, Austin ISD

Doug Killian, Superintendent, Pflugerville ISD

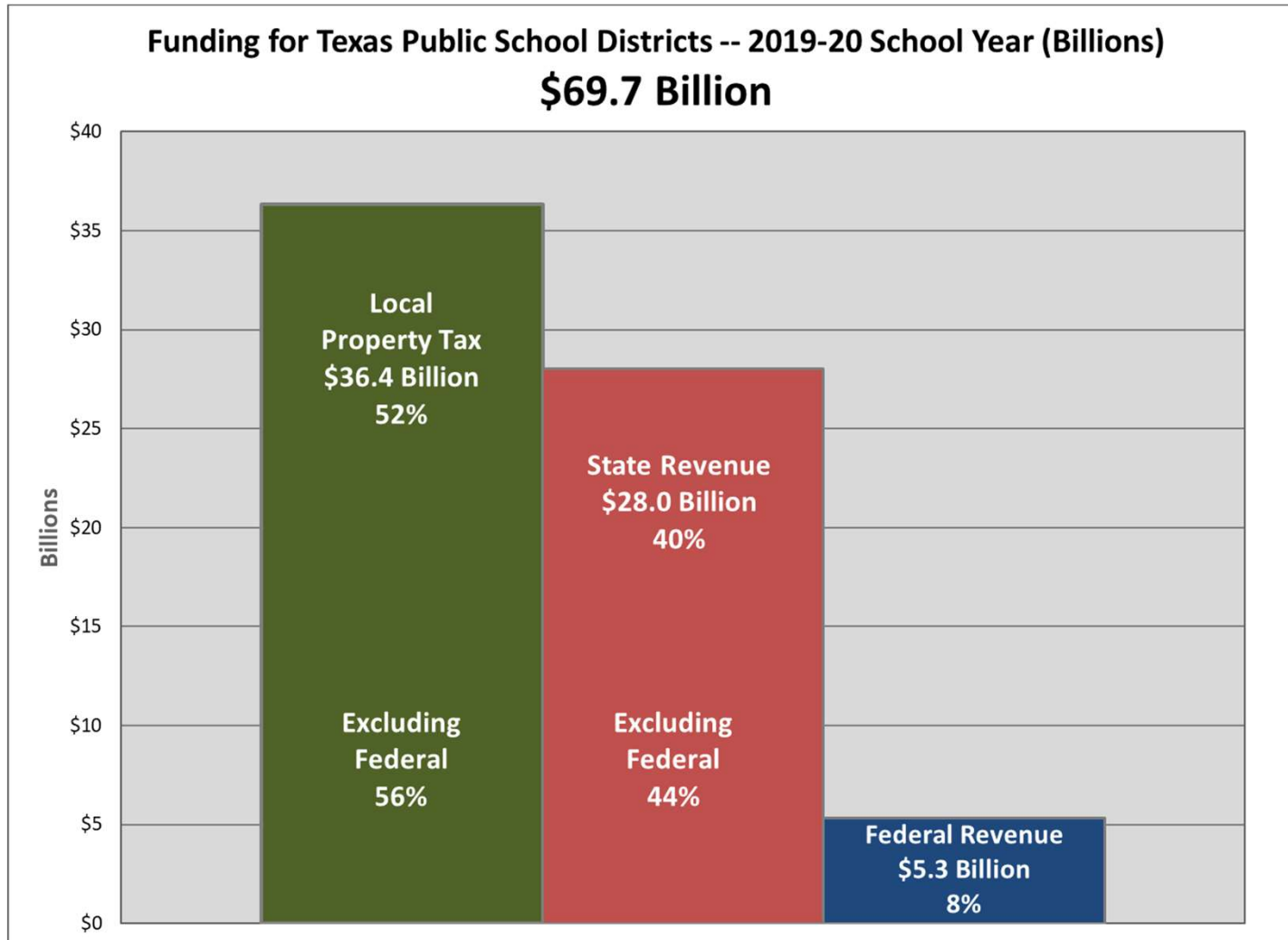
Melissa Martin, C&T Teacher, Galena Park ISD

Elvira Reyna, Former State Representative

Todd Williams, Commit Partnership, Dallas



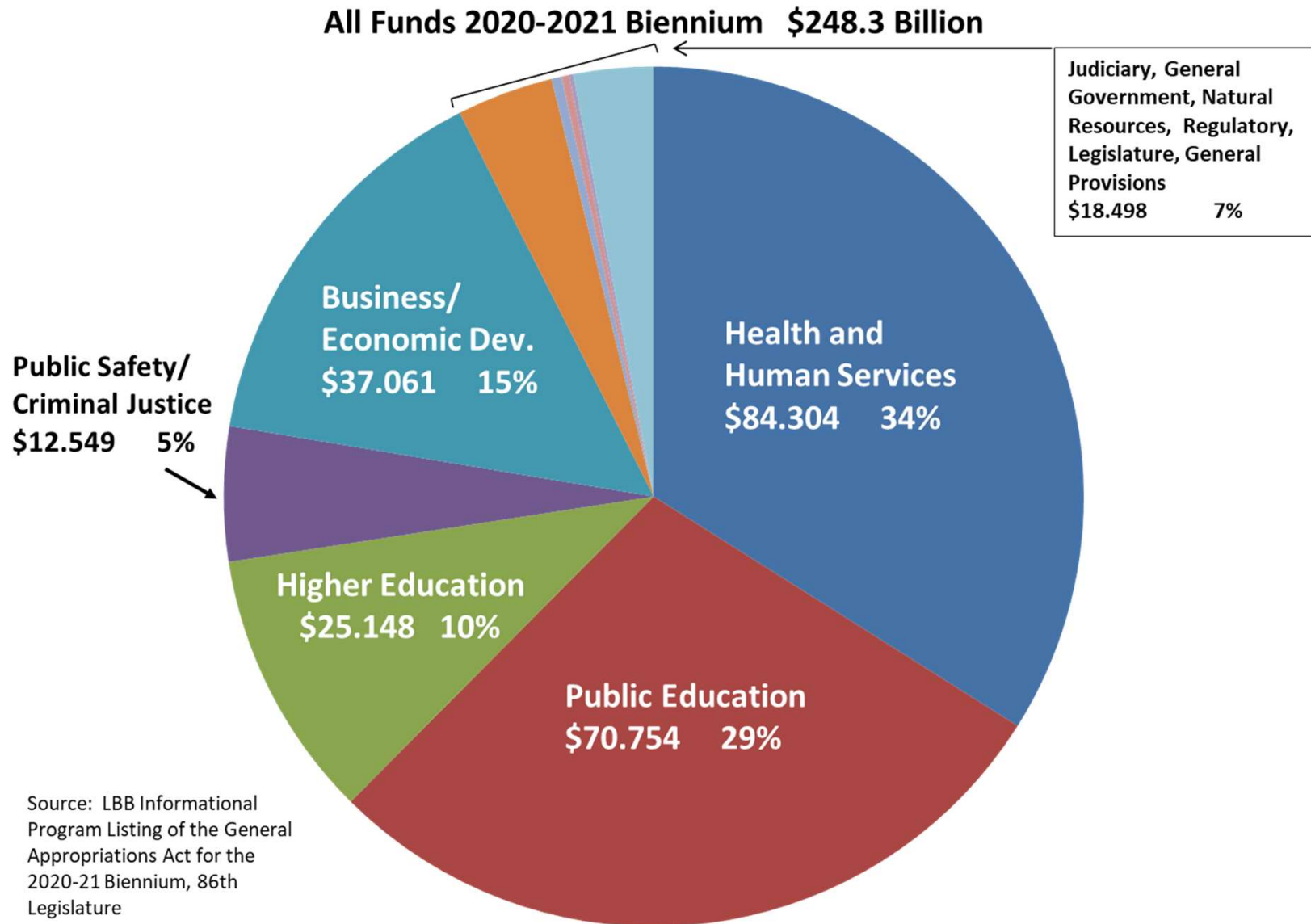
Public Education Funding 2019-20 School Year



Property tax total includes recaptured taxes. State revenue includes revenue appropriated to the Teacher Retirement System, School for the Blind, and School for the Deaf.

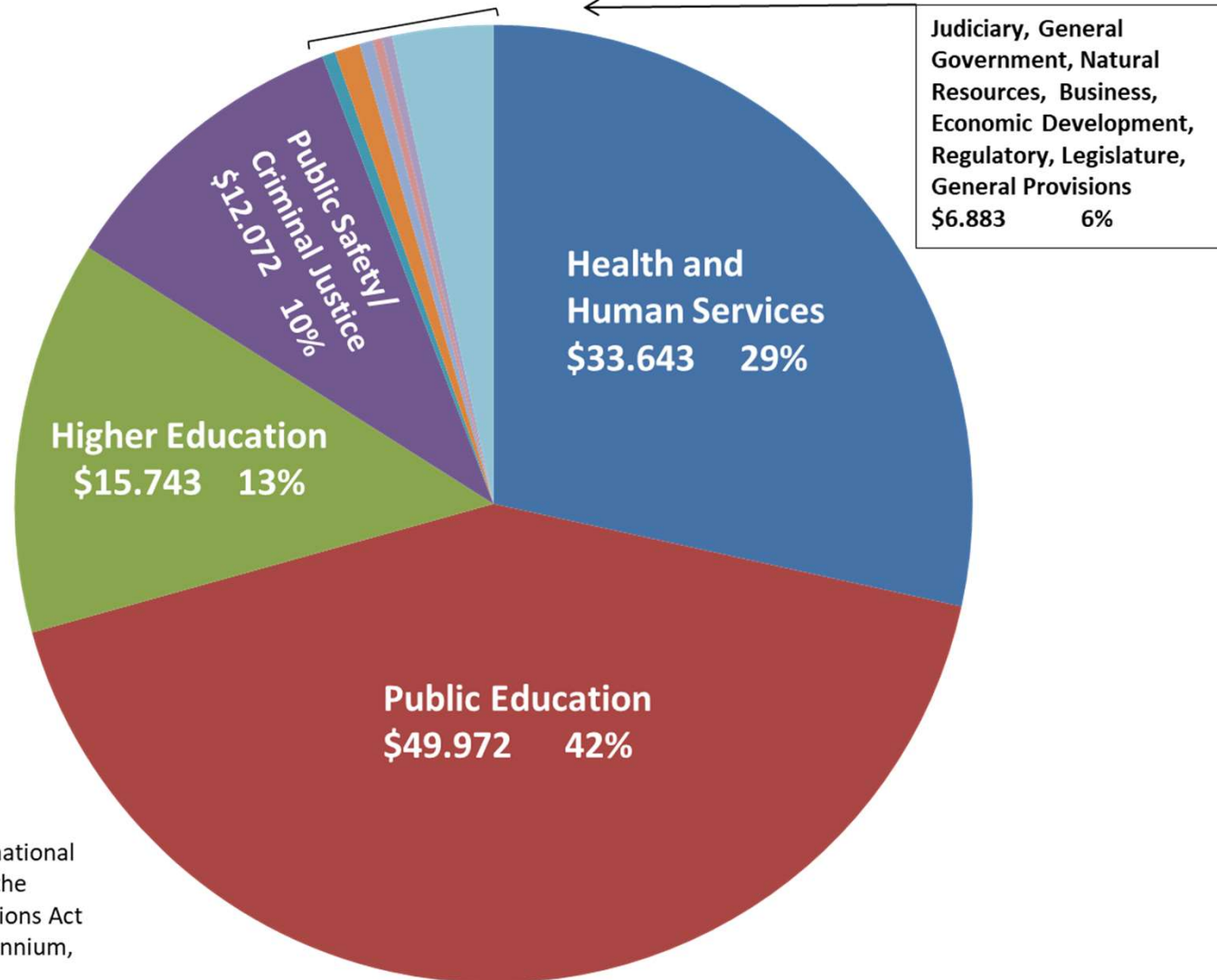
Data Sources: General Appropriations Act 2020-21 Biennium and 2019 ISD Self Report

Public Education 29% of All Funds Budget (Billions)



Public Education 42% of GR Budget (Billions)

General Revenue Funds 2020-2021 Biennium \$118.3 Billion



Source: LBB Informational Program Listing of the General Appropriations Act for the 2020-21 Biennium, 86th Legislature

Funding Formulas



Student Terms

		2019-20 School Year	
Enrollment	Number of students enrolled in public schools	5,464,501	
ADA - Average Daily Attendance	Average number of students that attend schools each day	5,077,984 (93% of enrollment)	\$12,000 per ADA
WADA - Weighted Average Daily Attendance	Calculated number of funded ADA after weights and adjustments are applied	7,044,576 (139% of ADA)	\$8,650 per WADA



Foundation School Program

Tier 1

Basic tier that determines the majority of a school district's entitlement **through formulas**. Cost is shared between state and school district.

Tier 2 Enrichment

A school district can levy up to \$0.17 in addition to the tier 1 rate for enrichment purposes. **State equalizes each penny levied.**

Facilities

Financed by a school district's **I&S rate**. **Equalized by the state for low wealth districts.**

Repealed Formula Elements

The following formula elements were **repealed** by HB 3 and the revenue attributable to them was re-distributed:

- 1. Cost of Education Index (CEI):** a multiplier ranging from 1.02-1.20 assigned to each school district to adjust for salaries, type of district, student makeup; **based on 1991 data**
- 2. 1993 Hold Harmless** allowed some property wealthy districts to keep more revenue than others; **phases out over 5 years**
- 3. Early Agreement Credit for recapture payments**
- 4. Gifted and Talented Weight:** All school districts maxed out at 5% of ADA. HB 3 requires continuation of gifted and talented programs or funds will be withheld from the district.
- 5. High School Allotment:** \$275 per ADA in high schools
- 6. Staff Salary Allotment** for non-professional staff

Basic Allotment

Basic Allotment is the starting number in formula calculations

Basic Allotment = \$6,160 (19.8% increase over \$5,140)

Reduced proportionately for districts that don't levy the tier 1 maximum compressed rate

$$BA = \$6,160 \times (\text{District's Tier 1 Rate} / \text{Tier 1 Maximum Compressed Rate})$$

Set by the Legislature

Set in statute (Educ. Code 48.051)

Rider #3, Article III, Appropriations Bill

- Any year the basic allotment is increased, school districts must use **30% of additional revenue for employee salary increases** (75% to teachers, librarians, counselors, and nurses).
- If the Legislature reduces the basic allotment, a school district can **increase its M&O tax rate to a maximum of \$1.17** to recoup the loss.



Minimum Salary Schedule Linked to BA

Minimum Salary Schedule Increased by ~19.8%

Years	2018-19	2019-20	Increase	Years	2018-19	2019-20	Increase
0	\$28,080	\$33,660	\$5,580	11	\$39,020	\$46,770	\$7,750
1	\$28,690	\$34,390	\$5,700	12	\$39,930	\$47,850	\$7,920
2	\$29,290	\$35,100	\$5,810	13	\$40,760	\$48,850	\$8,090
3	\$29,890	\$35,830	\$5,940	14	\$41,560	\$49,810	\$8,250
4	\$31,170	\$37,350	\$6,180	15	\$42,310	\$50,710	\$8,400
5	\$32,440	\$38,880	\$6,440	16	\$43,030	\$51,570	\$8,540
6	\$33,720	\$40,410	\$6,690	17	\$43,700	\$52,370	\$8,670
7	\$34,900	\$41,830	\$6,930	18	\$44,340	\$53,140	\$8,800
8	\$36,020	\$43,170	\$7,150	19	\$44,940	\$53,860	\$8,920
9	\$37,080	\$44,440	\$7,360	20+	\$45,510	\$54,540	\$9,030
10	\$38,080	\$45,630	\$7,550	Annual salary based on 10 months salary			

Data Source: Texas Education Agency



Student “Weights” and Allotments

	Last Updated	Weight	Purpose
Regular Program Students	1984	1.0	Students that are not in special ed or career and technology programs.
Career and Technology	2019	1.35	Students in career and technology programs in grades 7-12. Not in regular program count.
Special Education	2019	1.15-5.0	12 weights for students with disabilities. Not in regular program count.
Compensatory Education	2019	0.225 0.2375 0.250 0.2625 0.275	Low income students determined by eligibility for free & reduced-price lunch program (\$47,638 family of four); federal census block group (median household income, average educational attainment of the population, percentage of single-parent households, rate of homeownership).
Pregnant Students in Remedial Program	1989	2.41	Students in a remedial and support program because the student is pregnant.
Bilingual/Dual Language	2019	0.10-0.15	Students with difficulty performing class work in English. 0.05 weight if English speaker in a dual language program.

Student “Weights” and Allotments (cont.)

	Last Updated	Weight	Purpose
Public Education Grant	1995	0.10	Students who transfer to another school district because their campus was rated low performing for 3 years
Early Education	2019	0.10	K-3 students that are economically disadvantaged or bilingual
Dyslexia or Related	2019	0.10	Students with dyslexia or related learning disorder
Dropout Recovery School and Residential Placement Facility Allotment	2019	\$275 per ADA	Students attending a dropout recovery school or who resides in a residential placement facility
Fast Growth Allotment	2019	0.04	Districts with enrollment growth in the top quartile over the past three years receive additional funding per ADA.
Small and Mid-Size District Allotments	2019	Calculated Allotment	School districts with less than 5,000 students in average daily attendance receive additional funding per ADA to adjust for diseconomies of scale. Smallest districts get more additional funding.

Student “Weights” and Allotments (cont.)

	Last Updated	Weight	Purpose
School Safety Allotment	2019	\$9.72 per ADA	Additional funding for expenditures to improve safety
College, Career, and Military Readiness Outcomes Bonus	2019	\$5,000 \$3,000 \$2,000	\$5,000 for each economically disadvantaged student, \$3,000 for non-economically disadvantaged students, and \$2,000 for special education students that achieve college readiness standards and enroll in a college, earn an industry-accepted certification, or pass the Armed Services Vocational Aptitude test and enlist in the military.
P-Tech/New Tech Incentive	2019	\$50 per ADA	Districts receive an additional \$50 for each student that attends a P-Tech or New Tech campus.
Extended Year Incentive Program	2019	Begins in 2020-21	School districts that provide an additional 30 days (1/2 day) instruction for students in Pre-K through 5th grade receive additional funds.

Student “Weights” and Allotments (cont.)

	Last Updated	Weight	Purpose
Mentor Program Allotment	2019	\$14.5 million per year appropriated	Districts can apply for funds to pay stipends to teachers that mentor teachers with less than two years experience.
Teacher Incentive Allotment	2019	Up to \$32,000 per eligible teacher	Districts can apply for funds to provide pay increases to effective teachers who teach at high needs campuses, rural campuses, or in areas experiencing a critical teacher shortage.
Blended Learning Grant Program	2019	\$6 million per year appropriated	Districts can apply for funds to pay for programs that supplement classroom instruction with applied workforce learning opportunities.

General Allotments

Allotment	Amount
New Instructional Facility Allotment	\$1,000 per ADA in a newly built campus in the first year, and for additional students who attend that campus in the second year. \$100 million per year total
Transportation Allotment	\$1.00 per approved mile \$1.08 special education students \$0.25 private transportation
Available School Fund	\$259 per prior year ADA
Technology and Instructional Materials Allotment	\$1.1 billion for the biennium that districts draw down

Small and Mid-size District Allotments

2019-20 School Year

	# Districts	Minimum Additional \$ per ADA	Maximum Additional \$ per ADA	% of Total ADA
Small District Allotment Less than 1,600 ADA	648 64%	\$ 559	\$ 3,814	8%
Mid-size District Allotment Between 1,600-5,000 ADA	202 20%	\$ 3	\$ 558	12%
	850 84%			20%

Tier 1 Formula Entitlement – No Recapture

6,160	x	# Regular Program ADA	x	1.00	=	Regular Program Allot
6,160	x	# Special Education FTE *	x	1.15 - 5.00	=	Special Education Allot
6,160	x	# Career and Technology FTE *	x	1.35	=	Career and Tech Allot
6,160	x	# Compensatory Education ADA	x	0.225 - 0.275	=	Comp Ed Allot
6,160	x	# Bilingual ADA	x	0.10	=	Bilingual Allot
6,160	x	# Dual Language ADA	x	0.15	=	Dual Language Allot
6,160	x	# Early Education ADA	x	0.10	=	Early Education Allot
6,160	x	# Dyslexic ADA	x	0.10	=	Gifted and Talented Allot
		# Total ADA	x	\$9.72	=	School Safety Allot
		Transportation Allotment			=	<u>Transportation Allot</u>
						\$100,000,000
		Local Share =		<u>Current Year Certified Property Value</u>		- <u>40,000,000</u>
		x Tier 1 Tax Rate (MCR)				\$ 60,000,000 State

* FTE (Full-time equivalent student) is defined as 30 hours of contact per week between a student and program personnel.



Tier 1 Formula Entitlement - Recapture

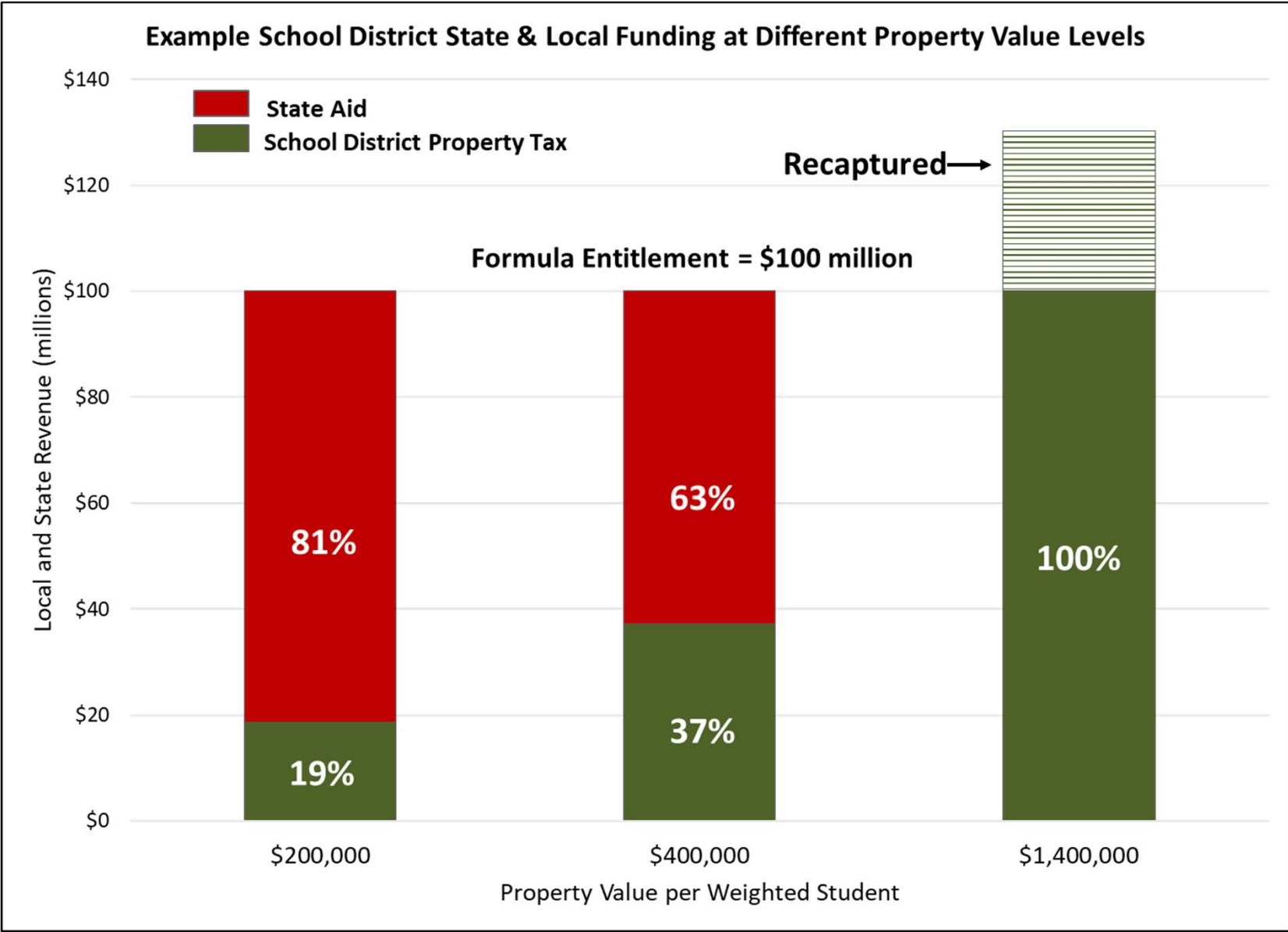
6,160	x	# Regular Program ADA	x	1.00	=	Regular Program Allot
6,160	x	# Special Education FTE *	x	1.15 - 5.00	=	Special Education Allot
6,160	x	# Career and Technology FTE *	x	1.35	=	Career and Tech Allot
6,160	x	# Compensatory Education ADA	x	0.225 - 0.275	=	Comp Ed Allot
6,160	x	# Bilingual ADA	x	0.10	=	Bilingual Allot
6,160	x	# Dual Language ADA	x	0.15	=	Dual Language Allot
6,160	x	# Early Education ADA	x	0.10	=	Early Education Allot
6,160	x	# Dyslexic ADA	x	0.10	=	Gifted and Talented Allot
		# Total ADA	x	\$9.72	=	School Safety Allot
		Transportation Allotment			=	<u>Transportation Allot</u>
						\$100,000,000

$$\begin{aligned}
 \text{Local Share} &= \text{Current Year Certified Property Value} && - && \underline{130,000,000} \\
 & \times \text{Tier 1 Tax Rate (MCR)} && && \text{\$ 30,000,000 to State}
 \end{aligned}$$

* FTE (Full-time equivalent student) is defined as 30 hours of contact per week between a student and program personnel.



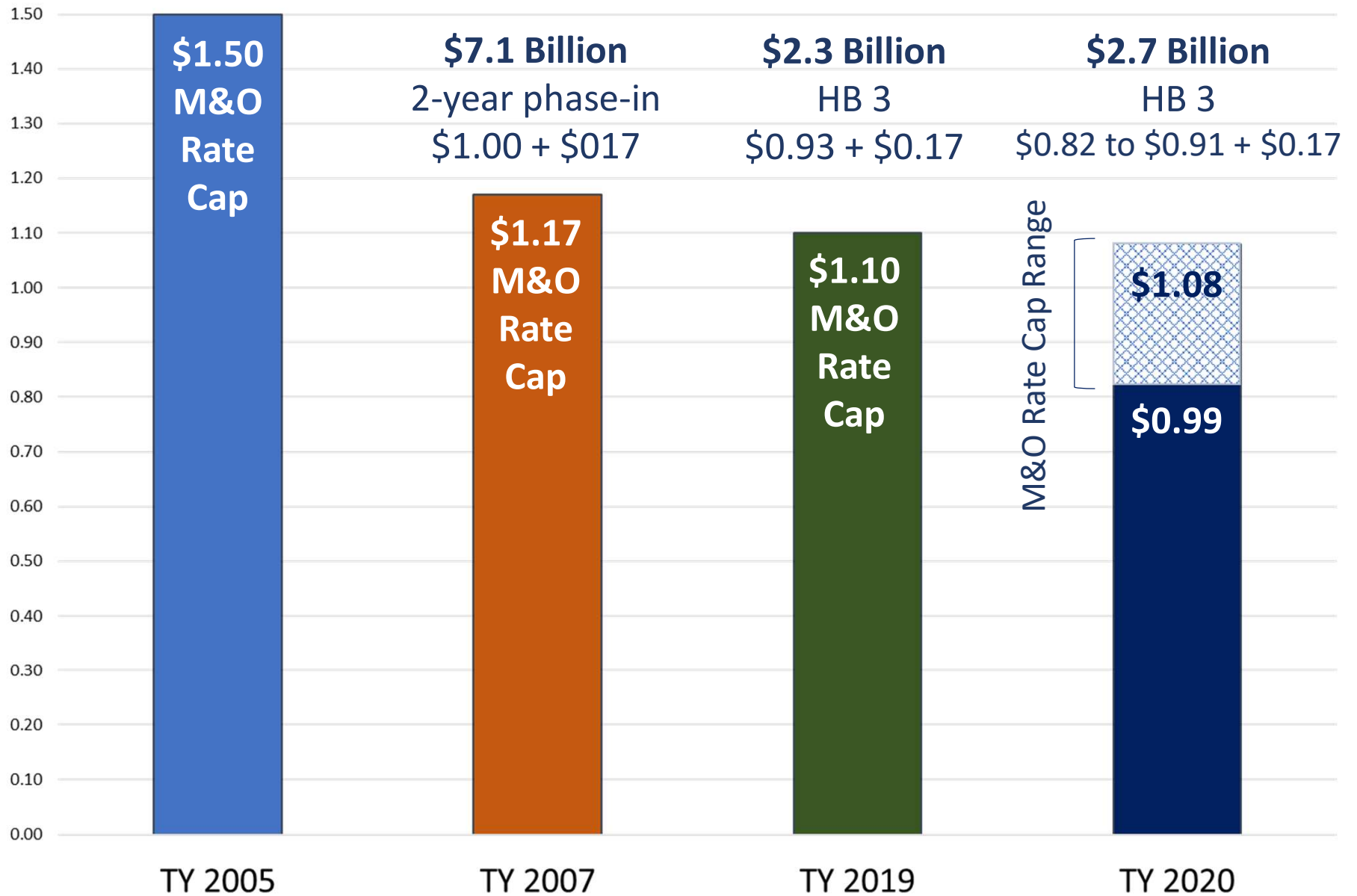
Illustration of State and Local Share



M&O Tax Rate Reduction (Compression)



Maintenance & Operations (M&O) Tax Rate Compression



M&O Tax Rate Compression in HB 3

State reimburses school districts for lost property tax revenue due to compression

2019-20 school year

- Maximum compressed tier 1 rate (MCR) = **\$0.93 (from \$1.00)**
- **M&O tax rate cap** is $\$0.93 + \$0.17 = \mathbf{\$1.10}$ statewide

2020-21 school year

- **Value growth above 2.5%** used to compress rates
- Maximum compressed tier 1 rate = **\$0.9164** (*Statewide @ 4.01%*)
- School districts with value growth in excess of the estimated statewide average (4.01%) will be assigned (by TEA) a lower compressed tier 1 tax rate using the **district's value growth**.
- **Each school district will be subject to an M&O tax rate cap** equal to the district's maximum compressed rate plus \$0.17.

Tax Rate Compression 2020-21 School Year

2020 Tax Year School District Tier 1 Maximum Compressed Rate (MCR)

Lower of two calculations:

Statewide Value Growth = 4.01%

2020-21 Statewide Compression

$$\text{MCR} = \$0.93 \times 1.025 / 1.0401$$

$$\text{MCR} = \$0.93 \times 0.9854$$

$$\text{MCR} = \mathbf{\$0.9164}$$

District Value Growth = 1%

2020-21 District Compression

$$\text{MCR} = \$0.93 \times 1.025 / 1.01$$

$$\text{MCR} = \$0.93 \times 1.0148$$

$$\text{MCR} = \mathbf{\$0.9438}$$

4.01% is estimated statewide value growth in the appropriations bill and will not change

* \$0.8247 is the lowest tier 1 rate allowable to receive full state entitlement due to 10% "equity band" in HB 3

Tax Rate Compression 2020-21 School Year

2020 Tax Year School District Tier 1 Maximum Compressed Rate (MCR)

Lower of two calculations:

Statewide Value Growth = 4.01%

2020-21 Statewide Compression

$$\text{MCR} = \$0.93 \times 1.025 / 1.0401$$

$$\text{MCR} = \$0.93 \times 0.9854$$

$$\text{MCR} = \$0.9164$$

District Value Growth = 8%

2020-21 District Compression

$$\text{MCR} = \$0.93 \times 1.025 / 1.08$$

$$\text{MCR} = \$0.93 \times 0.9490$$

$$\text{MCR} = \$0.8826$$

4.01% is estimated statewide value growth in the appropriations bill and will not change

* \$0.8247 is the lowest tier 1 rate allowable to receive full state entitlement due to 10% "equity band" in HB 3

Tax Rate Compression 2020-21 School Year

Value Growth	Tier 1 Rate (MCR)	M&O Tax Rate Reduction	M&O Tax Rate Cap (MCR + \$0.17)
Up to statewide avg. 4.01%	\$0.9164	-\$0.0136	\$1.0864
5%	\$0.9078	-\$0.0222	\$1.0778
6%	\$0.8993	-\$0.0307	\$1.0693
7%	\$0.8908	-\$0.0392	\$1.0608
8%	\$0.8826	-\$0.0474	\$1.0526
9%	\$0.8745	-\$0.0555	\$1.0445
10%	\$0.8666	-\$0.0634	\$1.0366
11%	\$0.8588	-\$0.0712	\$1.0288
12%	\$0.8511	-\$0.0789	\$1.0211
13%	\$0.8436	-\$0.0864	\$1.0136
14%	\$0.8362	-\$0.0938	\$1.0062
15.6%	\$0.8247*	-\$0.1053	\$0.9947

* **\$0.8247** is the lowest tier 1 rate allowable to receive full state entitlement due to 10% “equity band” in HB 3

Tier 2 Enrichment



Tier 2: Enrichment

Districts can levy additional \$0.17 M&O tax rate above maximum compressed rate:

- Revenue raised by each penny is **equalized by the state** to provide equity
- Total maintenance and operations tax rate cannot exceed **maximum compressed rate + \$0.17**



Tier 2: Enrichment (cont.)

“Golden Pennies”

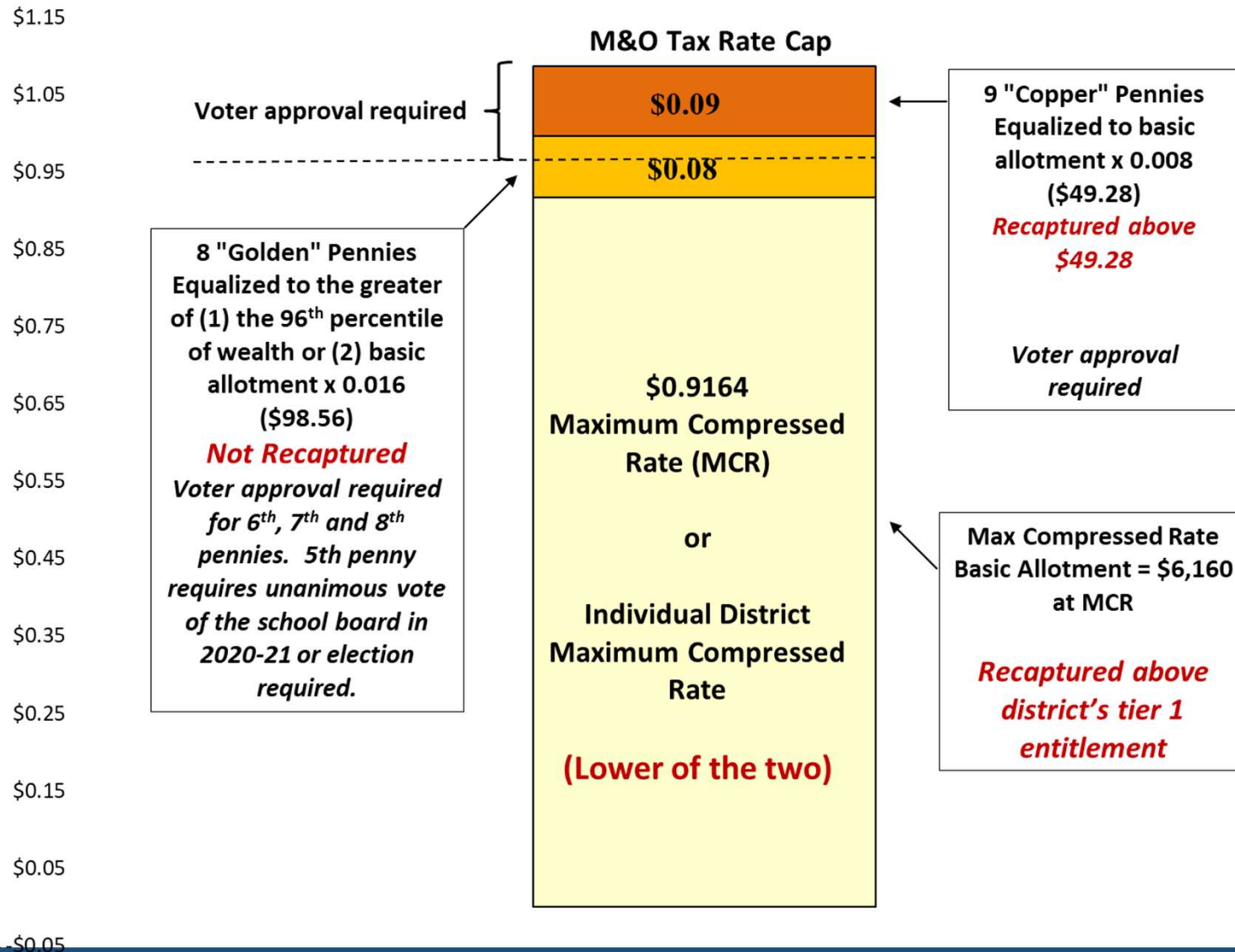
- First **\$0.08** above compressed rate
- Equalized to the greater of
 - 1) 0.016 x the basic allotment (**\$98.56**) or
 - 2) the yield per penny per weighted student in a school district at the 96th percentile of wealth.
- Revenue above that level **is not recaptured**.
- **6th, 7th and 8th pennies require voter approval to access.**

“Copper Pennies”

- Remaining **\$0.09** up to the M&O rate cap
- Equalized to **\$49.28** per penny per weighted student. Yield is linked to the basic allotment (0.008 x basic allotment) so that it will increase when the basic allotment is increased.
- Revenue above equalized level **is recaptured**.
- **All copper pennies require voter approval to access.**

Equalization/Recapture Levels

2020-21 School Year



Facilities



Facilities

- **Existing Debt Allotment (EDA)**: State equalizes to **\$40** per ADA (or a lesser amount if allotment exceeds prior year by more than \$60 million) for up to \$0.29 I&S rate for bonds on which payments were made in the last year of the previous biennium.
 - 85th Legislature expanded the existing debt allotment program to provide \$60 million per year to charter schools based on the average statewide I&S rate.
- **Instructional Facilities Allotment (IFA)**: School districts must apply for funds; state equalizes to **\$35** per ADA.
 - Limited to the **lesser** of:
 - (1) Actual debt payment
 - (2) \$250 per ADA or \$100,000 (whichever is greater)

Facilities (cont.)

- **\$575 million** in **state aid is** budgeted in the 2019-20 school year for facilities.
- **852 districts** levied **\$8 billion in property tax** for debt payments in 2019-20 school year.
 - Paid with Interest and Sinking Fund rate (I&S)
 - Voter approval required
- Total of **\$8.6 billion** paid for school debt in 2019-20 school year.
- **\$89 billion** school district bonds outstanding. Guaranteed by Permanent School Fund.

“The \$0.50 Test”

- Before a school district can issue debt, it must illustrate to the Attorney General’s Office that it can service the new debt and all existing debt with a tax rate of **\$0.50 or less**.
- After the debt is issued and approved by the voters in the district **the rate can exceed \$0.50** if the district’s taxable value declines in subsequent years.
- 9 school districts have an I&S rate that exceeds \$0.50
- Range is \$0.01 - \$0.97



Tax Ratification Election (TRE)



Tax Ratification Election (TRE)

- If a school board adopts a tax rate that **exceeds its voter-approval rate**, they must call an election so that voters can approve or reject the adopted rate.
 - Election must be held on a **uniform election date**
- If voters reject the rate, the voter-approval rate is the school district's tax rate for that year.
- A school district located in a **disaster area** is **exempt** from having to schedule a ratification election in the year following the year in which the disaster occurs “when increased expenditure of money by a school district is necessary to respond to a disaster.” Also exempt from **efficiency audit** requirement for two years if scheduling a TRE.
 - In the year following using the exemption from holding a TRE, they must either reduce the rate to the voter-approval rate or hold an election to maintain the higher rate.

Voter-Approval Tax Rate

Voter-Approval Tax Rate =

- 1) District's maximum compressed rate [tier 1] (MCR)
- + 2) Greater of (a) district's prior yr. enrichment rate or
(b) \$0.05 (*\$0.04 in TY20 if Board vote is not unanimous*)
- + 3) Debt (I&S) Rate

Example district with M&O rate of \$0.97 (\$0.93 + \$0.04); \$0.08 debt rate; 8% value growth; unanimous vote of school board

Tax Year 2019

\$0.93 tier 1 MCR
+ \$0.04 enrichment
+ \$0.08 debt rate
\$1.05 Total Rate TY 2019

Tax Year 2020

\$0.88 tier 1 MCR
+ \$0.05 enrichment
+ \$0.08 debt rate
\$1.01 Voter-Approval Rate 2020



In this example, an election is required if adopted rate exceeds \$1.01

Recapture ("Robin Hood")

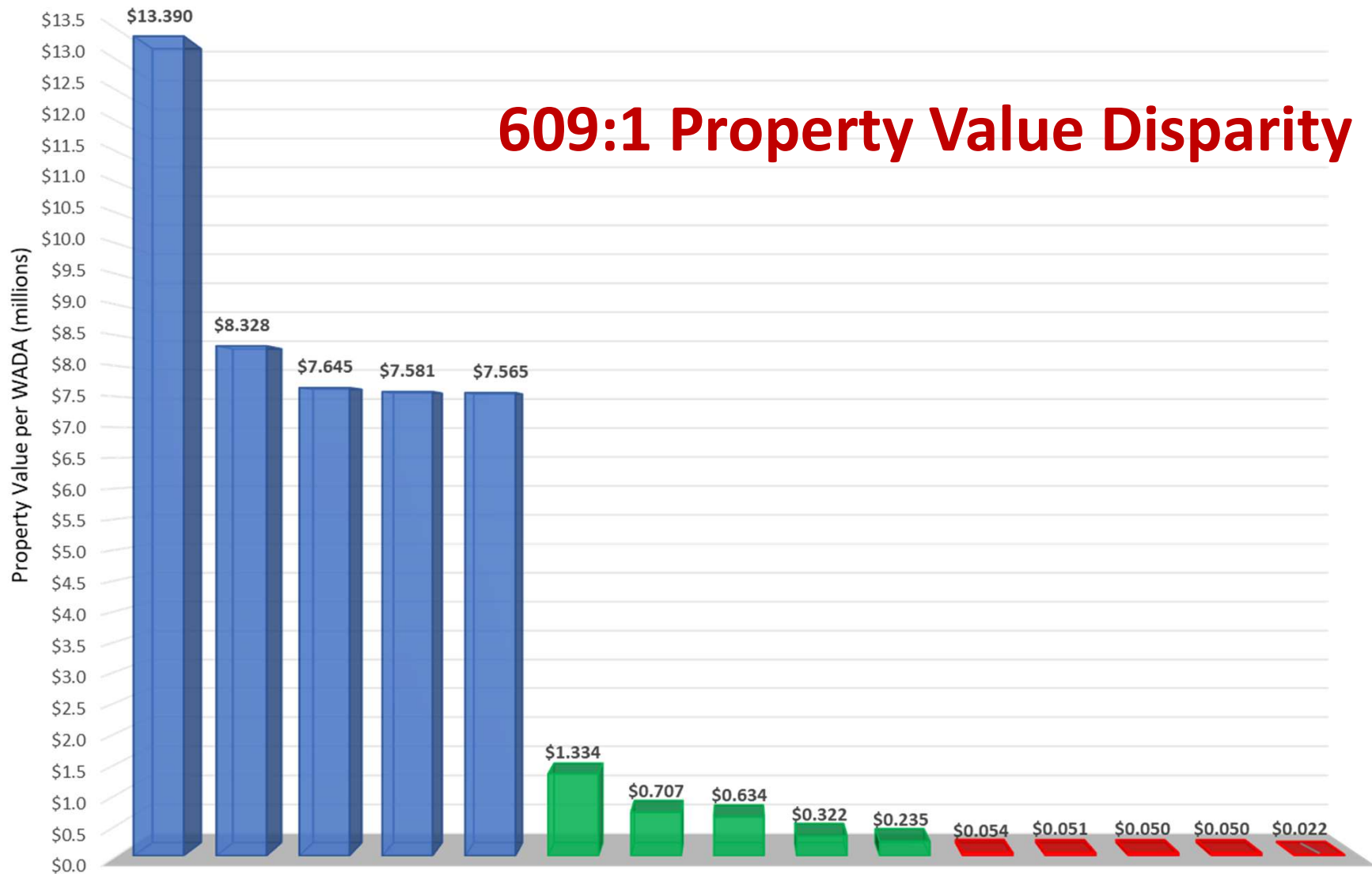


Why does the state recapture local property tax from some school districts?



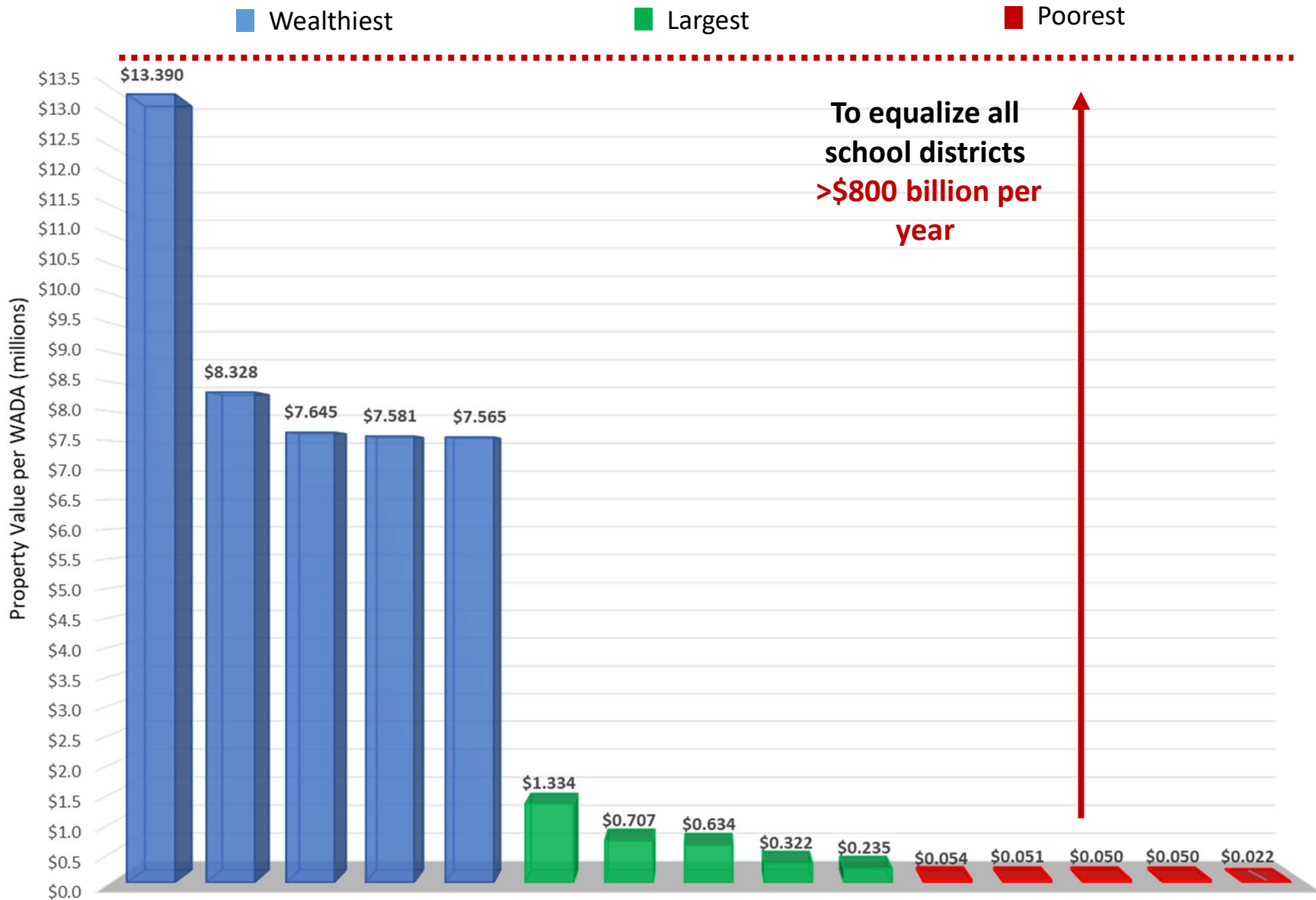
2019-2020 Property Value per Weighted Student - 5 Wealthiest, 5 Largest, and 5 Poorest School Districts

■ Wealthiest ■ Largest ■ Poorest



Data Source: Texas Education Agency

2019-2020 Property Value per Weighted Student - 5 Wealthiest, 5 Largest, and 5 Poorest School Districts



Data Source: Texas Education Agency

Texas Constitution

Article 7, Section 1 – Efficiency-Equity

*“A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, **it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.**”*

Article 8, Section 1-e – Statewide Property Tax

*“**No State ad valorem taxes shall be levied** upon any property within this State.”*



Texas Supreme Court Rulings

*“There must be a direct and close correlation between a district’s tax effort and the educational resources available to it; in other words, **districts must have substantially equal access to similar revenues per pupil at similar levels of tax effort.**”*

Texas Supreme Court, Edgewood I, October 2, 1989

*“To be efficient, **a funding system that is so dependent on local ad valorem property taxes must draw revenue from all property at a substantially similar rate.**”*

Texas Supreme Court, Edgewood II, January 22, 1991

*“Our basic framework for deciding this issue has not changed since Edgewood I, where we held that **‘districts must have substantially equal access to similar revenues per pupil at similar levels of tax effort.’**”*

Texas Supreme Court, Morath vs. Texas Taxpayer and Student Fairness Coalition et. al, May 13, 2016

Past Court Rulings

- 1973 Demetrio Rodriguez v. San Antonio ISD – USSC referred case to state
- 1989 Edgewood I – Unconstitutional (equity)
- 1991 Edgewood II– Unconstitutional (equity)
- 1992 Edgewood III – Unconstitutional (state property tax)
- 1995 Edgewood IV - Constitutional
- 2005 West Orange Cove ISD – Unconstitutional (state property tax)
- 2016 Texas Taxpayer & Student Fairness Coalition et al v. Robert Scott, Susan Combs and the State Board of Education – Constitutional
Will defer to the Legislature on school finance matters unless they make choices that are arbitrary and unreasonable

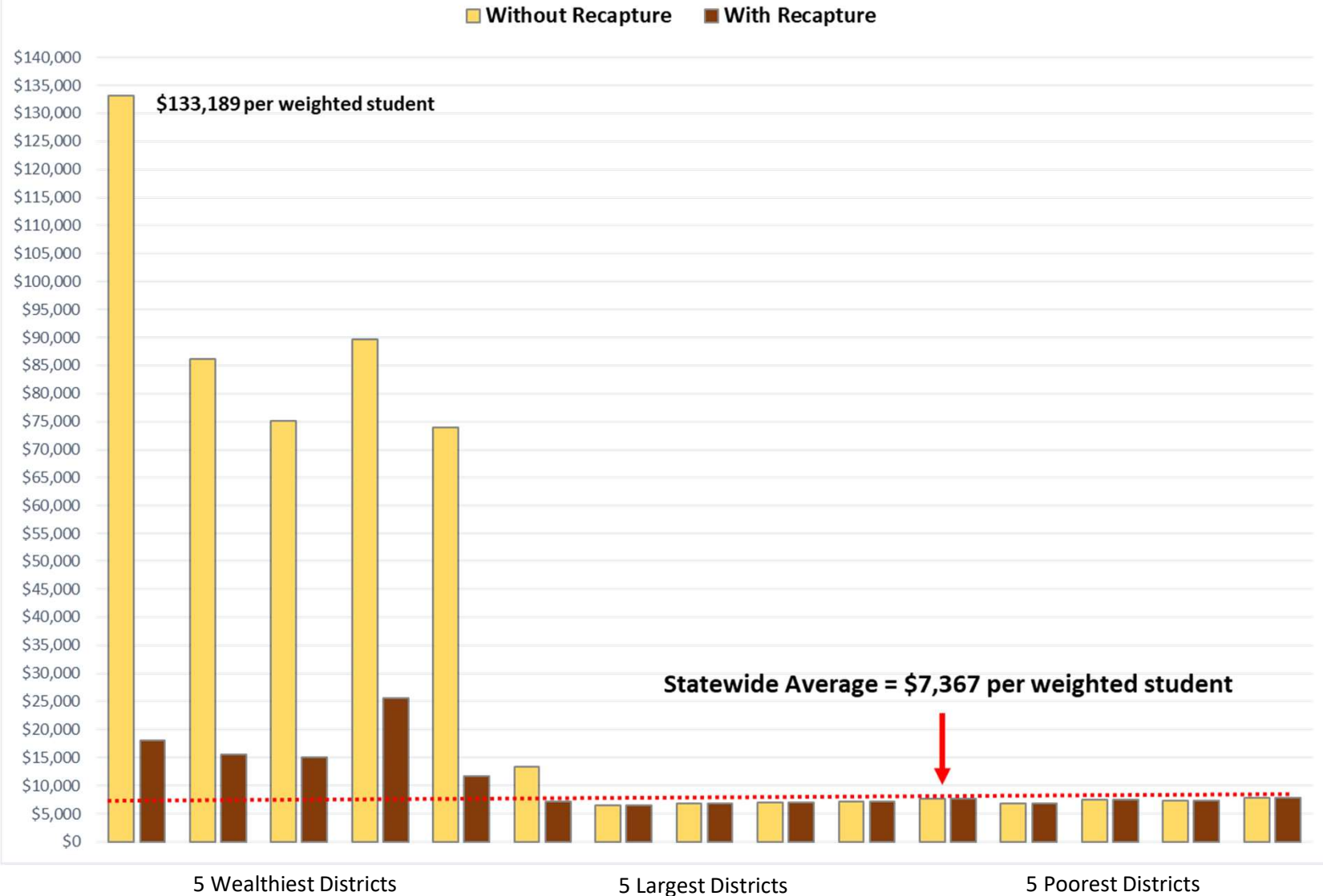
Recapture (“Robin Hood”)

- In response to *Edgewood II*, legislature passed SB 351 in 1991 which created **188 “County Education Districts (CED’s)”** to consolidate tax bases and redistribute M&O revenue within county lines and if necessary with neighboring counties.
- Legislature set rate for CED’s at \$0.72 for 1st year, \$0.82 for 2nd year, \$0.92 for 3rd year, then finally \$1.00. School districts taxed above this level to a combined maximum of \$1.50.
- School districts filed suit claiming CED tax was a **state property tax**. Upheld by TX Supreme Court in 1992 (*Edgewood III*).
- Legislature put CED’s on the ballot for approval in 1993. **Voters rejected the proposition.**

Recapture (“Robin Hood”) cont.

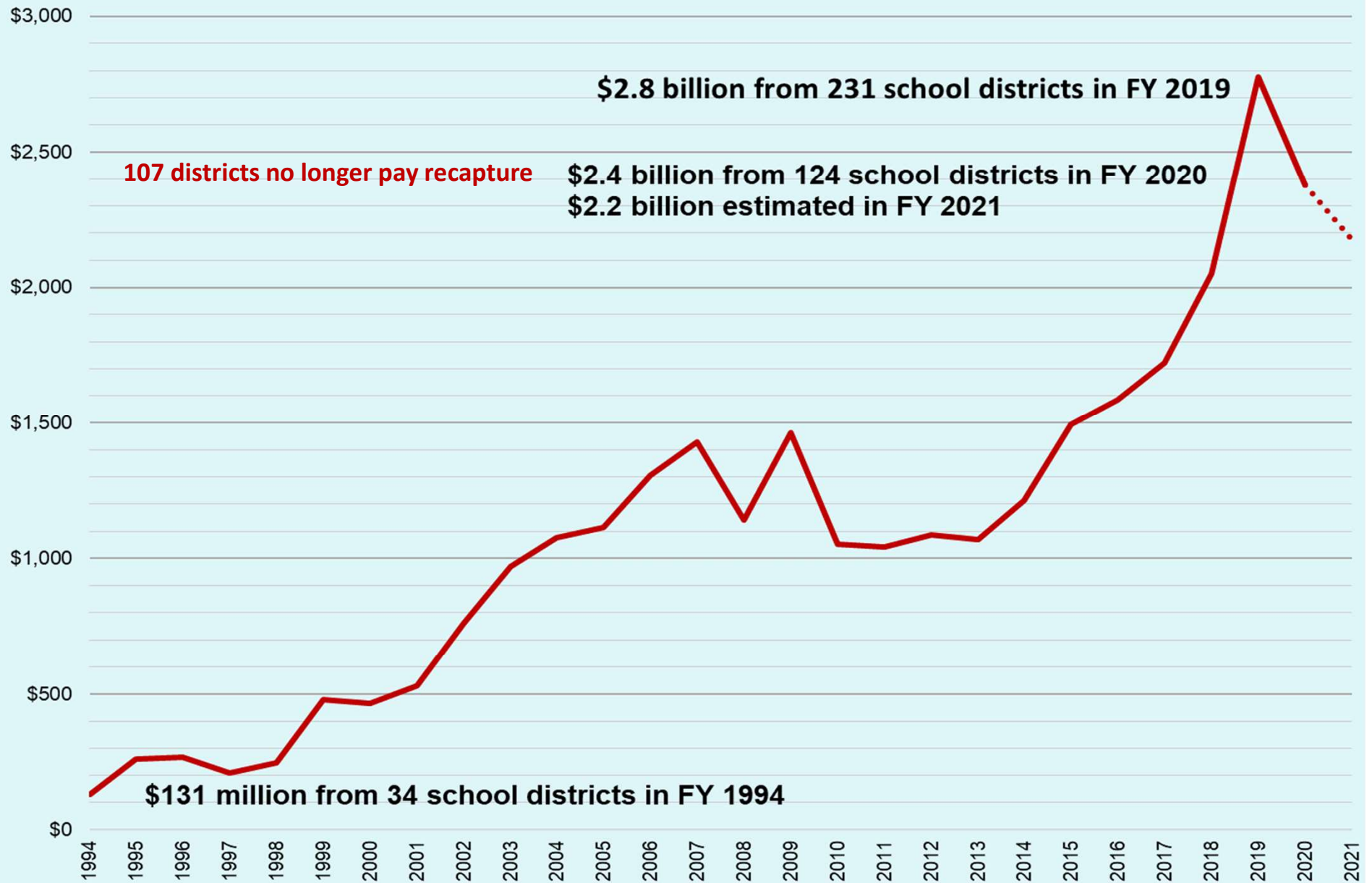
- Current system was put in place in 1993 in response to failure of the proposition legalizing the CED’s.
- Districts have five options to reduce their local **maintenance and operations** revenue level.
 1. **Consolidate** with another school district
 2. **Detach property** to another school district
 3. **Purchase “attendance credits”** from the state (*voter approval*)
 4. **Contract with another district** to educate students (*voter approval*)
 5. **Consolidate tax bases** with another district
- All school districts choose option 3
 - Can make equal payments Feb 15 - Aug 15 or one payment by Aug 15.

M&O Revenue per WADA With and Without Recapture at Current M&O Tax Rate 2019-20 School Year



Data Source: Texas Education Agency

Amount Recaptured FY 1994 - 2021 (millions)



Charter Schools



Charter Schools

- Authorized in 1995 in re-write of Education Code
- Applications are submitted to the Commissioner of Education
 - State Board of Education can veto Commissioner's approval
- Charter schools cannot levy a property tax; no local share
- Charters in good standing qualify for EDA facilities funding based on the average statewide I&S rate
- **Maximum of 305** charters may be granted
 - **Currently 178 charter holders** with 705 campuses
- **308,337 students** attend charter schools

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Thanks for Joining Us!

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