



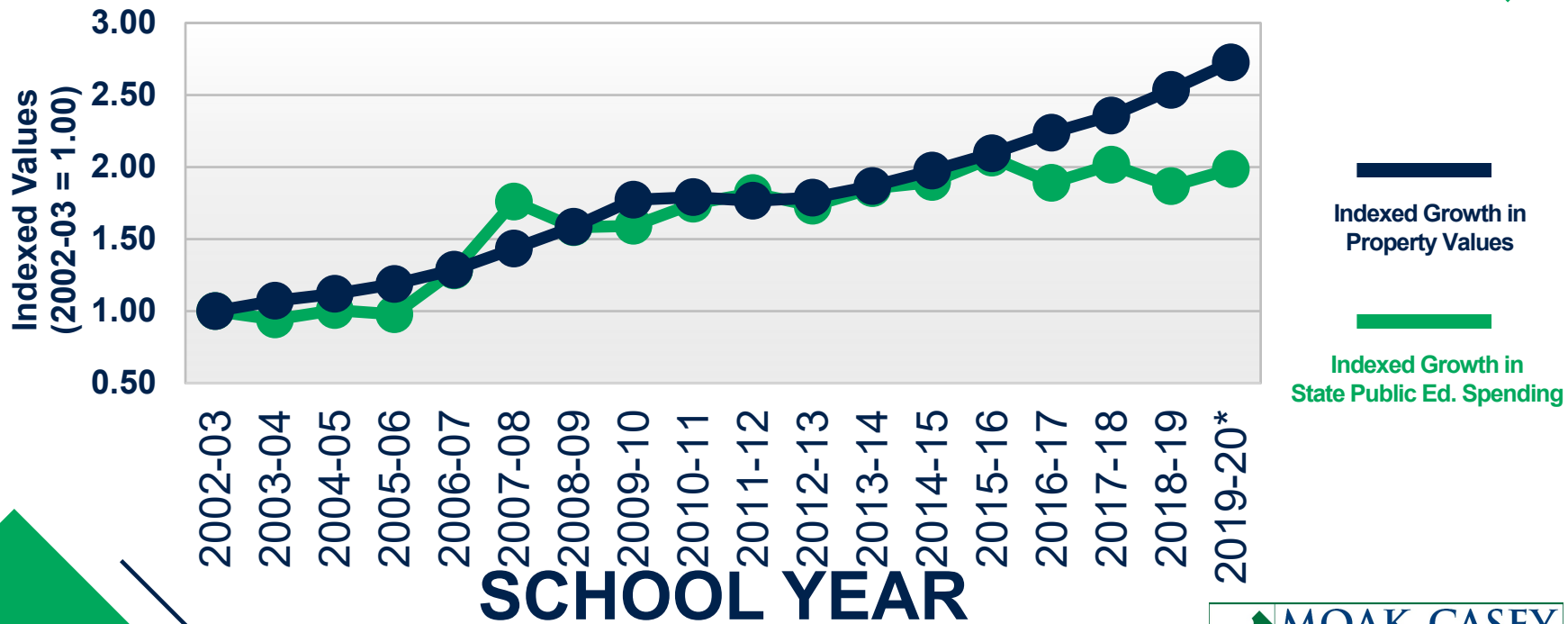
The Property Tax-School Funding Connection:

Texas

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Growth in Property Values Vs. State Public Ed. Spending



Property Values & Deductions

	Amount	Percent
M&O Taxable Value	\$2,815.9 B	72.3%
Total Deductions/Exemptions	\$1,077.3 B	27.7%
Total Market Value	\$3,893.2 B	100%

Source: Texas Comptroller of Public Accounts, 2019 School District Report of Property Value

Property Values & Deductions

		Amount	Percent
Totally Exempt Property		\$322.6 B	30.0%
Partial Exemptions	Homestead Exemptions	\$366.2 B	34.0%
	Loss from Use of Agricultural Productivity Value	\$297.6 B	27.6%
	Value Limitation Agreements	\$42.2 B	3.9%
	Freeport	\$34.8 B	3.2%
	Other	\$13.9 B	1.3%
Total Deductions/Exemptions		\$1,077.3 B	100%

Source: Texas Comptroller of Public Accounts, 2019 School District Report of Property Value

Foundation School Program

State Share/Local Share Comparison

Fiscal Year	State	Local
2016	43.7%	56.3%
2017	41.8%	58.2%
2018	40.1%	59.9%
2019	38.0%	62.0%
2020	45.3%	54.7%
2021	42.7%	57.3%

Source: Legislative Budget Board, Texas Comptroller of Public Accounts

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HB 3 | Highlights

Funding Increases On Average - \$635 per ADA

Teacher Pay Raises

- Required that **30%** of year-over-year revenue gain under HB 3 be used to increase **teacher compensation**
- Created new **teacher incentive allotment**

Tax Compression

- Reduced M&O rates an average of **8 cents** in 2019
- Ongoing compression tied to **local property value growth & statewide average growth**

School Funding Increases

- Increased Basic Allotment to **\$6,160**
- Increased weights for **compensatory education**
- New funding for **early education** (support full-day Pre-K)
- Increased weights for **mainstream** special education students & new allotment for students with **dyslexia**
- Increased weights for students in **bilingual education**
- New funding incentive for **extending the school year** at elementary level

HB 3 | Biennial Fiscal Impact

	2020-21 Biennium Cost
Tax Compression	\$5.0 Billion
New Revenues to School Districts	\$6.5 Billion
Total Cost Above Current Law	\$11.5 Billion

Source: Legislative Budget Board

HB 3 | Entitlement Change Highlights

Allotment	Increased Entitlement (2019-20 OL VS. 2019-20 HB 3)
Regular Program Allotment	+\$1.7 Billion
Small and Mid-Sized Allotment (New)	+\$1.2 Billion
Compensatory Education Allotment	+\$1.1 Billion
Early Education Allotment (New)	+\$0.8 Billion
Formula Transition Grant (New)	+\$0.4 Billion
Special Education Allotment	+\$0.4 Billion
High School Allotment (Repealed)	-\$0.4 Billion
Fast Growth Allotment (New)	+\$0.3 Billion

Note: Old law is abbreviated "OL" in the second column header.

Source: Texas Education Agency; Moak, Casey & Associates

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HB 3 | Tax Compression

HB 3 created several mechanisms for **automatic** property tax rate compression:

TIER 1

- **State Compression Percentage**
DETERMINED BY COMPTROLLER'S FORECAST OF STATEWIDE PROPERTY VALUE GROWTH
- **"2.5 Percent Cap" (Local Compression)**
DETERMINED BY LOCAL PROPERTY VALUE GROWTH

TIER 2,
LEVEL 2

- **Copper Penny Compression**
TIED TO INCREASES IN THE BASIC ALLOTMENT

HB 3 | Tax Compression

School Year	MCA Cost Estimate	LBB Cost Estimate
2019-20	\$2.1 Billion	\$5.0 Billion
2020-21	\$3.3 Billion	
2021-22	\$4.3 Billion	
2022-23	\$5.3 Billion	

Note: Cost estimates compare projected tax rates under HB 3 against 2018-19 tax rates.

Implications for **State Budget**

- Rate reductions are **automatic** and not based on availability of uncommitted state funds. Likely to result in additional stress on state revenues.
- Historically, state **relied on value growth** to at least cover costs of enrollment increases.

Thank you.
Questions?



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