Historically, the state has relied on local property taxes to fund public education. As property values increased across Texas, the Legislature was able to direct fewer state dollars to education each year. When the state's share of school funding plummeted to 38% in 2019, property taxpayers across the state called on the state to increase their share of funding.

In addition to adding more funding to the school finance formulas, the Legislature passed a massive property tax cut bill in 2019 (House Bill 3). Now property tax rates decline each year when the state experiences a certain level of property value growth. This requires the state to contribute more to public education each year, but this increase does not benefit schools.

Eventually, the primary property tax used to support schools will be completely eliminated.
Districts that experience property value growth above the statewide average are forced to compress their tax rates even further. This is concerning because it is a complete departure from the long-held tax equity principle of “equal revenue for equal taxation.” Now districts receive similar levels of funding at varying levels of taxation.

Requiring districts to tax at different rates is also making the property tax more regressive. Now school districts with a higher concentration of economically disadvantaged students are taxed at higher levels than districts with fewer low-income students for the same level of funding.

1. Legislative Budget Board, Fiscal Size-Up 2022-2023. Recapture included in State Aid
2. Texas Education Agency
3. Texas Education Agency
4. Texas Education Agency