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Every Texan Testimony to Senate Finance on SB 1: Article III — Texas Education Agency

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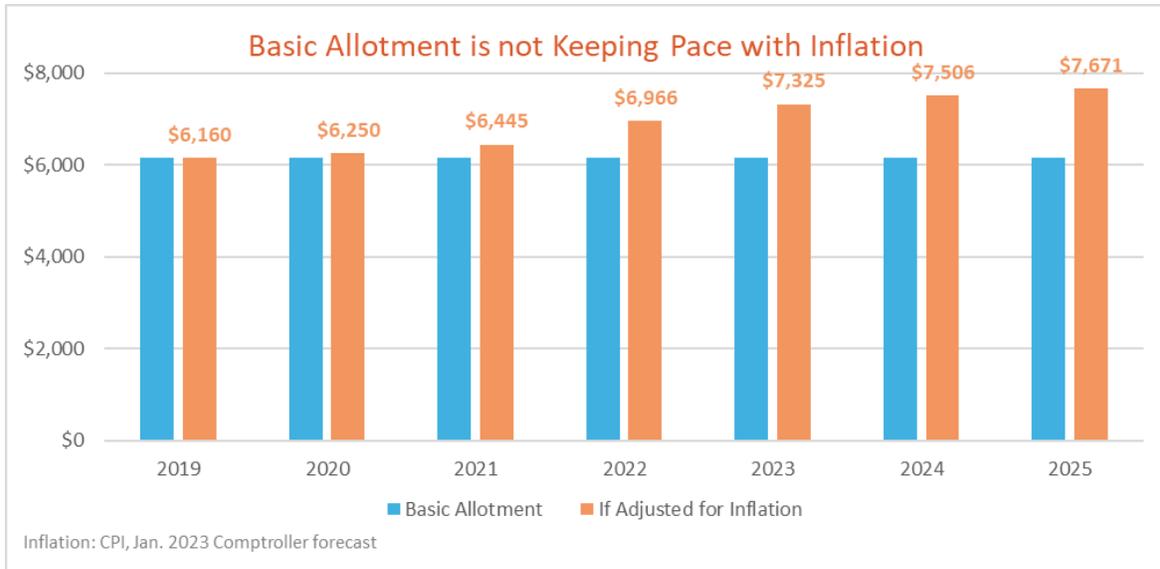
Texans of all backgrounds value public education and strive to unlock its promises of opportunity and shared prosperity. To ensure every child in Texas, from Dallas to Brownsville, has access to a high quality education, the Legislature must make sustained investments in our public schools. ***The budget is a declaration of values, and the base budget introduced by this committee clearly prioritizes tax cuts over investments in the school children of Texas.***

SB 1, as introduced, uses the historic \$32.7 billion beginning fund balance to appropriate \$15 billion in property tax cuts, and nothing for our schools except a vague statement of intent to increase teacher compensation.

The best way to increase teacher compensation and support public schools is to increase the basic allotment. When the basic allotment is increased, 30% of a school district's budgetary increase must go to compensation. Of that amount, 75% must go to teachers, librarians, counselors, and nurses - with priority given to teachers with 5+ years of experience.

The basic allotment, an amount of funding per student, is the primary building block of the school finance formulas and is set arbitrarily by the Legislature. No identifiable costs are used to determine the basic allotment, nor is it adjusted annually for inflation. The Legislature has left the basic allotment stagnant at \$6,160 per student for the last four years. By not regularly increasing the basic allotment, the Legislature has denied Texas public schools the ability to improve compensation for teachers being impacted by record levels of inflation.

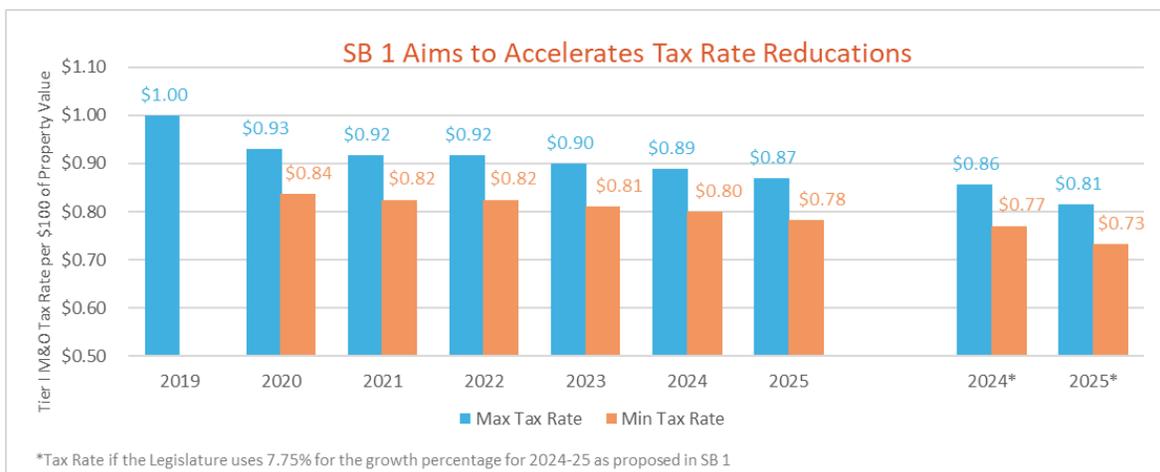
If the basic allotment was adjusted for inflation annually since it was last set in 2019, it would be \$7,325 for this school year. For the 2024-25 budget, the basic allotment would need to be \$7,506 for 2024 and \$7,671 for 2025. At the end of the biennium the basic allotment would be \$1,511 per student higher than it is today.



Senate Finance is able to increase the basic allotment in SB 1, Article III Texas Education Agency Rider 3 without separate legislation, but chose not to in the first draft of the budget. Instead this committee prioritized property tax cuts.

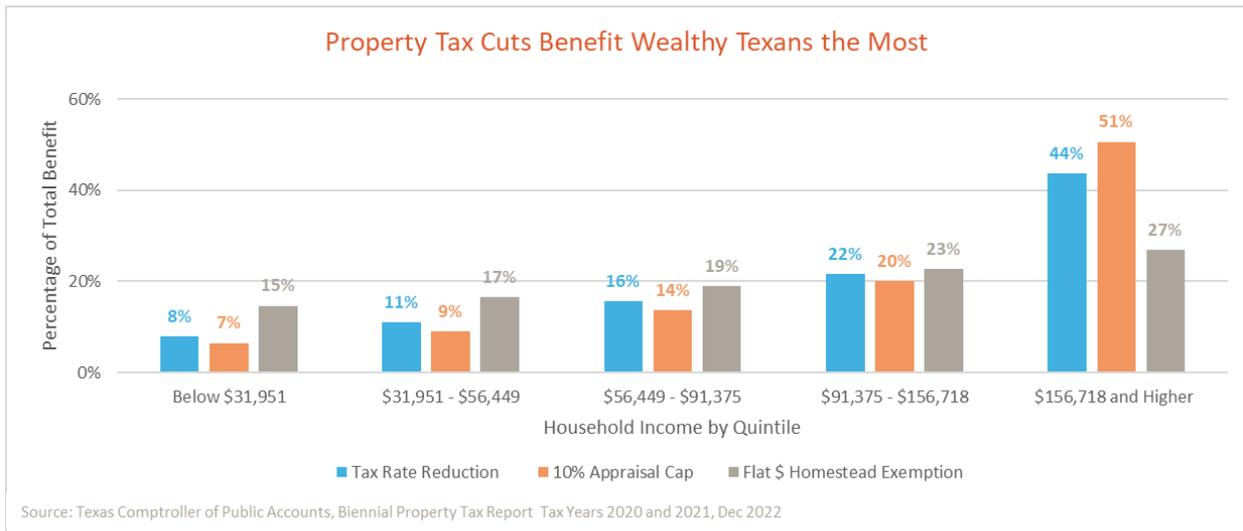
Due to HB 3 (R-2019), the Tier I M&O tax rate declines each year when statewide property value growth is above 2.5%. Districts are also forced to reduce their rates individually if they experience growth above the estimated statewide average (or 2.5% if the statewide average is below that threshold). SB 1 estimates the cost of HB 3 compression at \$3.118 billion for the 2024-25 biennium. This committee proposes adding another \$2.156 billion to this compression by increasing the statewide value growth percentage to 7.75%.

HB 3 prioritized tax cuts over kids by creating a glide path towards elimination of the Tier I M&O tax rate instead of adjusting the basic allotment annually for inflation. SB 1, as introduced, aims to accelerate the elimination of the primary tax used to support schools while leaving the basic allotment unchanged.



In addition to the \$5.274 billion appropriated for tax rate compression, SB 1 includes another \$9.726 to cut property taxes even further, for a total of \$15 billion in tax cuts.

Property tax cuts benefit wealthy Texans the most. Households with higher incomes pay the most in property taxes, so when the Legislature makes cuts to property taxes those households see the greatest benefit. Texans with lower incomes tend to own less expensive homes or pay property taxes through rent. There is no guarantee that rents will decline when property taxes are cut.



For every \$1 billion spent on tax rate reduction (compression) or increasing the appraisal cap, households in the wealthiest quintile experience a substantially disproportionate benefit compared to households in the bottom quintile. Flat dollar homestead exemptions are more equitable, providing only a slight advantage to higher income households.

With the historic \$32.7 billion beginning balance the Legislature should seize this opportunity to make meaningful investment in public education before exploring options for tax cuts.