



The Battle of Tax Cuts, Vouchers, and School Funding: A Tale of the 88th Texas Legislative Session

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The Legislature is obligated by the state constitution to fund our public education system. Currently, 5.5 million Texas children rely on the Legislature to ensure schools have the resources to prepare them to be informed citizens, join the workforce, and achieve the social mobility necessary to keep Texas prosperous.¹

Texans in every corner of the state, from Amarillo to Brownsville, benefit from public education. Schools are the centers of our communities. Researchers find higher rates of community satisfaction in areas with quality public schools, even among residents without children. As community institutions, in addition to educational institutions, public schools build networks of engaged community members. This phenomenon is not seen in private schools, as they do not draw from the local community.²

When 62% of Texas students are economically disadvantaged, it is especially important that the Legislature invests in strong public education for all children so that a zip code does not determine a child's opportunities.³ Connecting people of different backgrounds and experiences is paramount for building a cohesive and compassionate society, and our public schools are a celebration of Texas' diversity and changing demographics. In the 2023-24 school year, 53% students are Hispanic, 25% white, 13% Black, and 5% are Asian – all are Texan.⁴

The Legislature started the 2023 session with a record \$32.7 billion cash on hand, plus billions more in the state's rainy-day fund. Rather than make long-overdue investments in public education, Gov. Abbott held our public schools hostage instead in his failed attempt to create [private school vouchers](#).

260 Days of Session

With a starting balance of \$32.7 billion in the state treasury, supporters of public education were optimistic the Legislature would address rising inflation by increasing the base level of school funding and improving school funding formulas. Influenced by billionaires with a history of attacking public institutions and out-of-state donors, Gov. Abbott set out to defund our public schools through tax cuts while simultaneously pushing to redirect public funds to private schools that are able to reject any student for any reason. These opposing priorities set up a

¹ Texas Education Agency. 2023-2024 Student Enrollment, Statewide Totals.

² Badger, Emily. Public Schools Good for People Without Kids, Too. Pacific Standard, June 14, 2017.

³ Texas Education Agency. 2023-2024 Economically Disadvantaged Students, Statewide Totals.

⁴ Texas Education Agency. 2023-2024 Student Enrollment, Statewide Totals.



battle that lasted one regular session and four special sessions; in the end, we were left with massive, harmful tax cuts, no new funding for schools, and no vouchers.

Regular Session (Jan. 10 - May 29, 2023)

State leadership is taking a two-pronged approach to destabilizing public education in Texas: defunding and privatization. During his 2023 State of the State address, Gov. Abbott declared cutting property taxes that support public schools and the creation of universal private school vouchers as emergency items.⁵

Both chambers were eager to take up property tax cuts, though they led with different approaches. [Senate Bill 3](#) (88-R) included a \$0.15 per \$100 of property value decrease on the school Maintenance and Operation (M&O) tax rate, increased the residential homestead exemption from \$40,000 to \$100,000, and limited the growth in the appraised value of property to 5% yearly – down from 10%. [House Bill 2](#) (88-R) included the same provisions to cut the M&O property tax rate and limit the appraised value of property. However, the House did not include an increased homestead exemption in their proposal. By the end of the regular session, the House and Senate were unable to reach a compromise on how to enact tax cuts.

The chambers also differed in their approaches to private school vouchers. The Senate led with [SB 8](#) (88-R), an \$8,000 voucher for students leaving the public school system or entering Pre-K or Kindergarten. In an effort to appease rural legislators concerned with the loss of funding to their schools, the bill provided \$10,000 per voucher recipient for two years to districts with under 20,000 students. While this bill passed in the Senate, it was left pending in the House Committee on Public Education.

The House, historically hesitant to take up voucher legislation, led with [HB 100](#) (88-R), a comprehensive school finance bill. With an [investment of \\$4.5 billion](#), HB 100 included provisions to move toward enrollment-based funding, make future adjustments for inflation, slightly increase base-level funding, and overhaul special education funding. The House passed HB 100 with broad support before sending it to the Senate.

In the Senate Committee on Education, Chairman Creighton introduced a committee substitute for HB 100 (88-R). This version stripped most of the positive elements from the House's bill and included an exceptionally expensive voucher program, bringing the total cost of the bill to [\\$16 billion](#). In the waning days of the regular session, the House refused to accept the Senate's version and the chambers were unable to work out their differences in conference committee.

With the House and Senate at an impasse on property tax cuts, vouchers, and school funding, a special session was inevitable. Since no decisions were made on school funding or vouchers,

⁵ State of Texas, Office of the Texas Governor. Press Release: Governor Abbott Delivers 2023 State of the State Address, February 16, 2023.



the budget passed with contingency funds of \$4 billion for public education and \$500 million for vouchers, which remain unallocated.⁶

First Called Special Session (May 29 - June 27, 2023)

Gov. Abbott called the Legislature back immediately for the first special session to focus on property tax cuts. In his [proclamation](#), the governor called for “legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers.”⁷ The governor did not include vouchers in this proclamation but promised that issue would be addressed in a future special session.

The Senate quickly passed [SB 1](#) (88-1) to reduce the M&O school property tax rate by \$0.10 per \$100 of property value and to increase the homestead exemption to \$100,000. The House passed its own bill, [HB 1](#) (88-1), which reduced the M&O tax rate by \$0.162 per \$100 of property value. Since the governor’s proclamation directed the Legislature to “solely” reduce tax rates, the House refused to hear SB 1 (88-1). The Senate held steadfast on its desire to increase the homestead exemption and refused to hear HB 1 (88-1).

With both chambers again at an [impasse](#), the governor called the Legislature back for an immediate second special session.

Second Called Special Session (June 27 - July 13, 2023)

In his [proclamation](#) for the second special session, Gov. Abbott reiterated his desire for tax rate reductions and called for “legislation to put Texas on a pathway to eliminating school district maintenance and operations property taxes.”⁸ This expansion of the call opened the door for the Senate to push through an increase to the homestead exemption, as well as a rate cut to the M&O school property tax.

Ultimately the Legislature passed [SB 2](#) (88-2). [This bill](#) increased the homestead exemption to \$100,000, reduced the M&O tax rate by \$0.107 per \$100 of property value, enacted a temporary cap on non-homestead residential and commercial property, and exempted more small businesses from the franchise tax among other provisions. SB 2 (88-2) costs the state \$13.3 billion for the biennium. Combined with the \$5.3 billion already appropriated in the budget for school tax cuts due to existing finance formulas, the Legislature passed a total of \$18.6 billion in property tax cuts without providing any additional funding for our schools.

Tax rate reductions, also called [tax compression](#), shift where school funding comes from but do not increase the amount of funding for schools. Without a new source of revenue to replace lost property tax collections, education funding will become even more reliant on volatile sales tax

⁶ 2024 - 2025 General Appropriations Act. Article IX: Contingency and Other Provisions, Sec. 18.78 Contingency for Public Education Funding.

⁷ Governor Greg Abbott, Proclamation by the Governor of the State of Texas. May 29, 2023.

⁸ Governor Greg Abbott, Proclamation by the Governor of the State of Texas. June 27, 2023.



collections, which are the largest source of tax revenue for the state. With the passage of SB 2 (88-2), the Legislature is accelerating the tax compression that started in 2019 while ignoring our schools' needs. Base level per-student funding remains stagnant since 2020, leaving our students in overcrowded classrooms with underpaid educators. By prioritizing tax rate reductions, Gov. Abbott puts our children last.

The homestead exemption helps home-owning Texans over businesses, out-of-state entities, and investors. However, renters do not benefit from either approach, as tax savings from compression are not required to be passed down to renters. Homestead exemptions are more equitable because the benefit is a flat dollar amount independent of the home's value – all homeowners receive the same benefit. Conversely, wealthy Texans benefit the most from tax rate reductions because they are more likely to own a home than lower-income Texans, and those homes tend to be of higher value.

Third Called Special Session (Oct. 9 - Nov. 7, 2023)

With the tax cut bills enacted, Gov. Abbott gave the Legislature a break to deal with the impeachment trial of Attorney General Ken Paxton before [calling them back](#) in an attempt to push for private school vouchers.⁹

The House continued to demand for public education funding to be added to the list of items the Legislature could consider before it would consider taking up legislation to enact a voucher program in the state. Before the third-called special session, the Comptroller announced that the state would have an ending general revenue balance of \$18.29 billion,¹⁰ plenty to make investments in education.

In a dramatic display of a normally-routine action, the House failed to reach the simple majority needed to override an objection to a motion allowing committees to meet while the House is in session. This would have allowed voucher legislation to begin moving in the chamber.

Until then, the governor had refused to prioritize funding for public education or teacher pay raises in his proclamations. The very next day, however, he issued [an updated call](#) to include new support for the public school finance system.¹¹ With less than a week until the end of the 30-day session, behind-the-scenes work continued as the clock ran out on [SB 1](#) (88-3) to craft a voucher bill with public school funding that would be palatable to long-hesitant members of the House.

⁹ Governor Greg Abbott, Proclamation by the Governor of the State of Texas. October 5, 2023.

¹⁰ Comptroller of the State of Texas. 2024-25 Certified Revenue Estimate. October 5, 2023.

¹¹ Governor Greg Abbott, Proclamation by the Governor of the State of Texas. October 31, 2023.



Fourth Called Special Session (Nov. 7 - Dec. 5, 2023)

Immediately after the third session adjourned, Gov. Abbott released a [proclamation](#) calling the Legislature back for a fourth special session to again address vouchers and school finance.¹²

The Senate moved quickly to pass [SB 1](#) (88-4), a \$500 million voucher bill that did not include any additional changes to the school finance system. The House refused to hear this bill and instead introduced [HB 1](#) (88-4). This bill, with a cost of \$7.6 billion for the biennium, included a voucher along with increases in school funding and teacher pay.

During floor debate in the House, a bipartisan coalition of anti-voucher legislators was able to strip the voucher provision from the bill. Instead of continuing to debate the school funding and teacher pay provisions, the author sent the bill back to the Education Opportunity and Enrichment Select Committee. Without another hearing scheduled for the committee, HB 1 died and vouchers were once again defeated. However, as a consequence, any chance to improve school funding during the 88th Legislative session died with it.

In the end, the Legislature was able to find the political will to prioritize \$18.6 billion in property tax cuts but left \$18.29 billion in unspent revenue, which could have supported our schools.

Political Consequences

Gov. Abbott, with a \$6 million donation from an out-of-state billionaire voucher proponent, made good on his threat to campaign against opponents of his priorities in the March 2024 primary election.

Rather than directly attacking voucher opponents for their defense of public education, the governor and his allies at the American Federation for Children spent millions to discredit members through demonstrably false claims – either that they oppose funding for teacher pay, or cannot be trusted to support the governor’s border security efforts.

There were 20 races in the Republican primary, tracked by the [Austin American Statesman](#), where support or opposition to vouchers was a key factor. Of those, spending and bombardment of local media claimed six outright victories and five runoff races against supporters of public education. In all, more than \$9.5 million was spent to chip away at the legislative opposition to vouchers.

Looking Ahead

Threats to public education did not end with the 88th Legislative Session. There is no doubt the push for vouchers will continue when the Legislature reconvenes in 2025. Considering there will most likely be a large balance at the beginning of session, another push for property tax cuts is

¹² Governor Greg Abbott, Proclamation by the Governor of the State of Texas. November 7, 2023.



also anticipated. Together, we can hold the Legislature accountable to the people of Texas and demand support for public education. The priorities of Every Texan in 2025 are to:

- Increase base levels of funding for past inflation and make future inflation adjustments;
- Increase teacher pay;
- Improve funding formulas for low-income, emergent bilingual, and special education students; and
- Fund full-day Pre-K at full-day levels.