



RECAPTURE:

THE MOST MISUNDERSTOOD ASPECT OF THE TEXAS SCHOOL FINANCE SYSTEM

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NO MATTER WHERE WE LIVE, TEXANS WANT OUR CHILDREN TO HAVE ACCESS TO A GOOD EDUCATION.

When school budgets get tight, property-wealthy districts are often quick to blame the primary equity tool of the school finance system: recapture. However, recapture, also known as “Robin Hood,” is not the villain in this story. Kids of all backgrounds, from Texarkana to Austin to Brownsville, deserve a high-quality education regardless of the property value within their community. **Instead of providing all schools with adequate levels of funding, the Legislature has used recapture to justify bringing the top down rather than the bottom up.** By deeming some districts as “property-wealthy” while not providing enough funding to anyone, legislative leadership has sowed division among districts. In order to increase school funding so that all districts are able to support high-quality education for all students, **Texans must reject these divisions and demand a finance system that meets the true costs of providing a solid public education.**

UNDERSTANDING RECAPTURE

To understand the role of recapture in the school finance system, it is first important to have a basic understanding of how schools are funded in Texas. The funding formulas start with a per-student amount determined by the legislature called the basic allotment. From there, adjustments are made for school district characteristics, such as being small or midsize, and for student characteristics, including the number of emergent bilingual students, low-income students, and special education students. All of these funding adjustments are used to determine how much revenue a school district is allowed to receive for operating its schools.

Local property dollars are collected first to meet the allowed funding entitlement. If a school district is able to collect more than its entitlement, the state “recaptures” or collects that excess revenue. Those recaptured dollars are then redistributed to fund other school districts and charter schools. Recaptured dollars become part of the state aid to schools.



Because the school finance system is formula driven, recapture dollars do not increase the amount of funding for some schools, they are just part of the funding a school receives. **Recapture levels the playing field between property-wealthy and property-poor districts.** This means if a property-wealthy district, one that pays into recapture, is experiencing budget constraints, all districts are in the same boat. Students with additional funding needs are taken into consideration when setting recapture amounts since those adjustments are used to determine a district’s entitlement.



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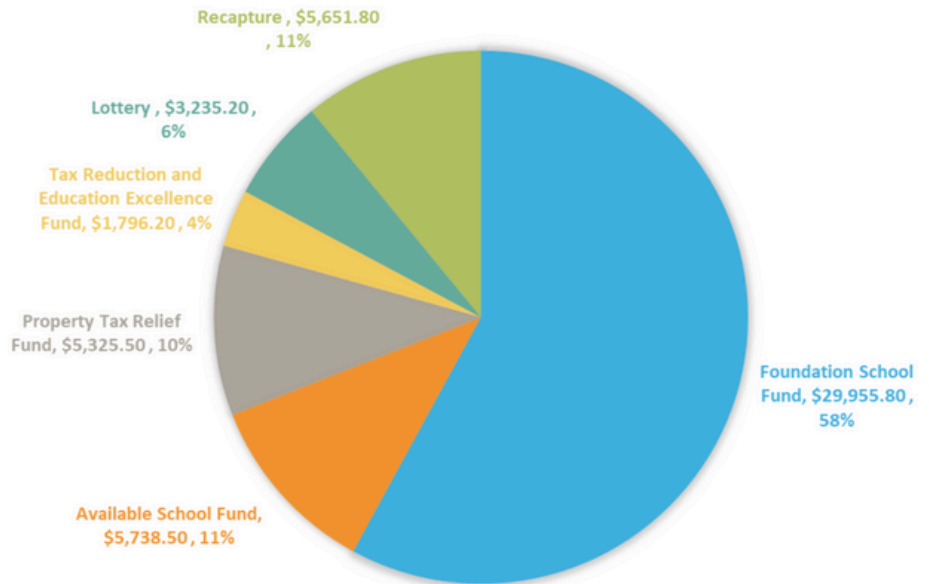
THE STATE'S SHARE OF SCHOOL FUNDING

The state's share of school funding is made up of six different funds: Available School Fund, Property Tax Relief Fund, Tax Reduction and Education Excellence Fund, Lottery Proceeds, Recapture, and Foundation School Fund (General Revenue).

These funds are used to meet the state's funding obligation for schools after local property tax revenue is collected. Collecting more from any one of these funds does not increase the amount of funding available for schools.

For example, if everyone bought extra lottery tickets this year there wouldn't be more funding for schools. The only way to increase school funding is to make changes to the formulas that determine what schools are entitled to receive.

STATE SHARE OF SCHOOL FUNDING



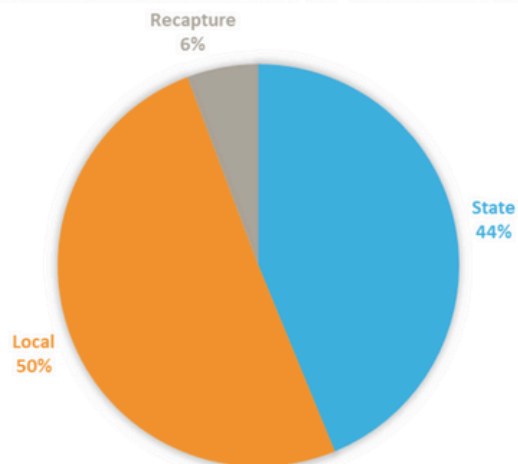
Source: Legislative Budget Board, Fiscal Size-Up 2022-2023. Amounts in millions for 2022-23 biennium.

RECAPTURE AS A PART OF THE STATE AND LOCAL SHARE

While recapture has grown significantly, to \$3 billion in 2023 from \$1.2 billion in 2014, it remains a small part of overall school funding. In 2023, recapture is estimated to account for only 6% of all school funding.

Local property taxes account for half of all revenue that goes to schools for operations. Though \$3 billion may seem like a lot, the state does not rely on recapture to fund the \$52 billion-a-year school finance system.

RECAPTURE IS A SMALL PART OF OVERALL FUNDING



Source: Legislative Budget Board, Fiscal Size-Up 2022-2023. For fiscal year 2023.



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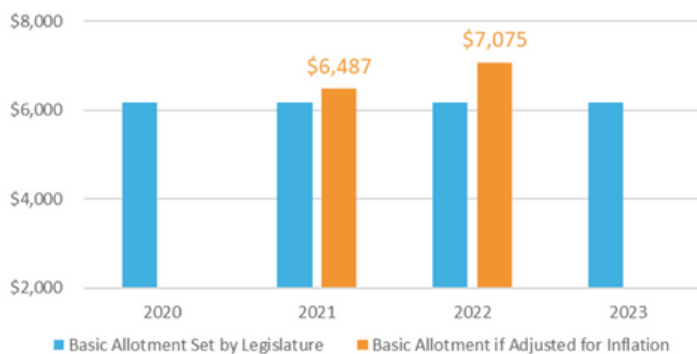
RECAPTURE IS NOT THE PROBLEM, IT'S THE LACK OF INVESTMENT BY THE LEGISLATURE

Recapture is an equity tool that levels funding between districts, ensuring that some districts do not have drastically more resources than other districts after taking into consideration student populations. Attacks on recapture distract from the real problem of the Legislature not investing in public education.

The basic allotment, the per-student funding amount set by the Legislature, is the primary building block of the school finance formulas and ultimately determines if a school district is considered property-wealthy (pays recapture) or property-poor (receives state aid). **However, the basic allotment is a completely arbitrary number; it is not based on identifiable costs or adjusted regularly.**

House Bill 3¹, the school finance and tax-cut bill passed in 2019, set the basic allotment at \$6,160—up from its previous level of \$5,140. Though not all of that increase was new money—some of it was from shifting revenue from other parts of the finance system—the new funds were roughly enough to cover one year of inflation. In 2021, the Legislature took no action to adjust the basic allotment. When the Legislature reconvenes in 2023, the basic allotment will have been stagnant for four years. If the Legislature adjusted the basic allotment for inflation annually, using the Bureau of Labor Statistics Consumer Price Index, the basic allotment would be \$7,075 for 2022.

SCHOOL FUNDING DOESN'T KEEP PACE WITH RISING COSTS



As property values go up around the state, more districts are able to fill a greater share of their entitlement on their own. Without an increase in the basic allotment, more districts cross the line into being considered property-wealthy and begin to pay recapture.

The basic allotment is the tide that raises all ships. Districts paying recapture are able to keep more of their property tax revenue locally when the basic allotment is increased, and all districts have more resources.



Fact: Charter Schools Contribute to the Growth of Recapture

The expansion of charter schools is also connected to the growth in recapture. While recapture dollars are statutorily dedicated to education, they are not dedicated exclusively to property-poor districts.² **Charter schools are 100% state-funded and do not have a local tax base, so they are neither property-wealthy nor property-poor.**

¹ House Bill 3, 86th Legislature – 2019: <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=86R&Bill=HB3>

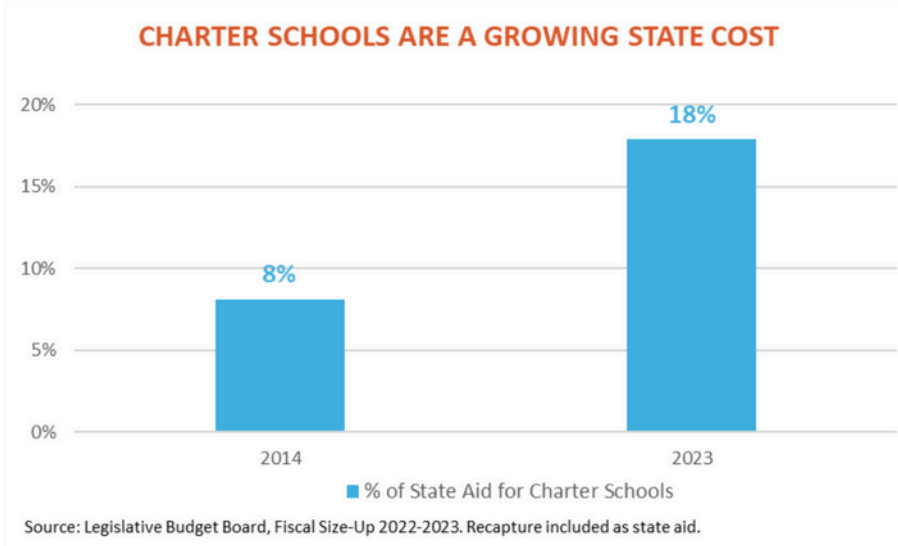
² TX Education Code Chapter 49 Subchapter D - Purchase of Attendance Credits Section 49.154



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Recapture is based on wealth per student: how much a school district can fill its entitlement with local property tax revenue. When a school district loses students to a charter school, its local wealth per student increases. Charter enrollment is growing rapidly across Texas. By 2023, an estimated 8% of students in average daily attendance will be in a charter school, up from 4% in 2014.³

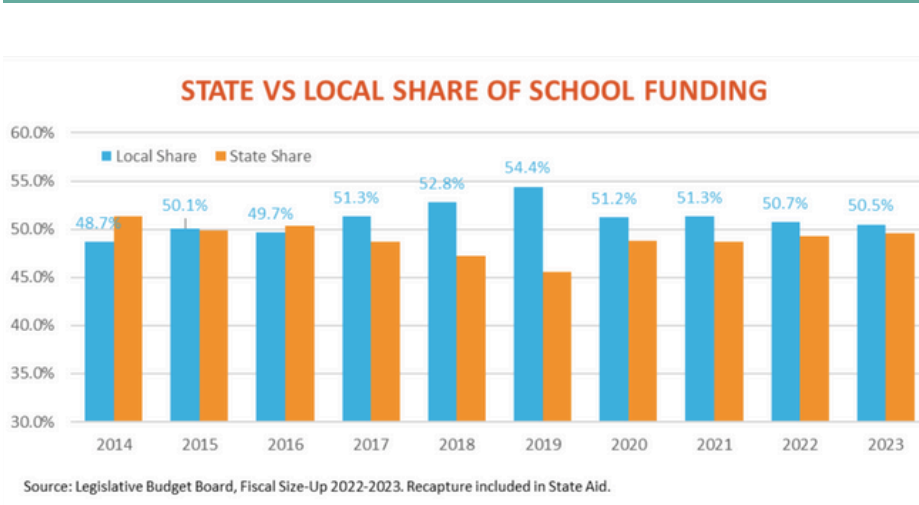
As charter enrollment grows, so does the cost to the state. By 2023, nearly 18% of the state’s funding for public education, when including recapture, will go to charter schools, up from 8% in 2014.



Since increases in charter school enrollment increase recapture payments for property-wealthy districts and push other districts toward recapture, the state is essentially siphoning off local property tax revenue to fuel charter school growth. Charter schools are privately managed entities that receive public funding. They do not have locally elected boards and, as a result, have no accountability to local taxpayers.

HB 3 TAX COMPRESSION: A LOOMING THREAT TO PUBLIC EDUCATION FUNDING

Before the passage of HB 3 in 2019, when property values would rise the state would benefit from that growth by lowering the amount of state aid needed to fulfill its entitlement to school districts. In response to the outcry over growing recapture and declining state share, the Legislature implemented a system of tax compression that shifts the responsibility to fund schools from local property taxes to state aid.



While tax compression is increasing the state’s responsibility to fund schools, it does not increase the amount of funding available to schools. Eventually, the main portion of the school property tax rate will be eliminated, which will strain the state budget and lead to cuts in education funding if the Legislature does not identify an alternative funding source to replace lost property tax revenue.

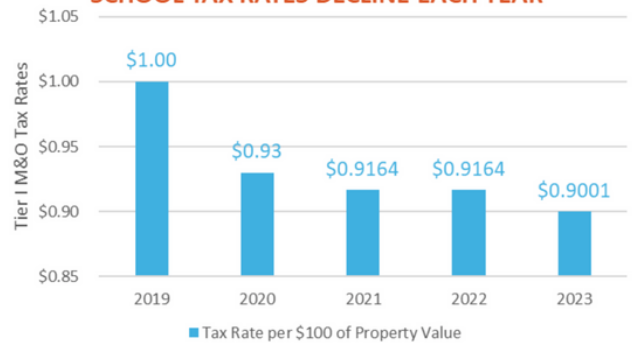
³ Legislative Budget Board. Fiscal Size-Up 2022-23 Biennium; March 2022



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When statewide property taxes increase by 2.5% or more, tax rates are reduced for all school districts across the state. Since funding for schools is formula driven, the state must contribute more revenue to schools as property tax collections decline.

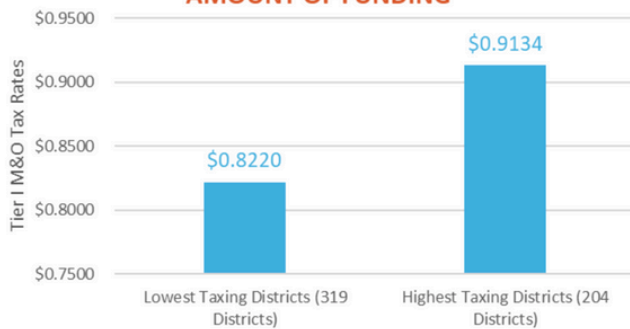
SCHOOL TAX RATES DECLINE EACH YEAR



Source: Texas Education Agency

If an individual district experiences property value growth at a rate higher than the statewide average, its tax rate is reduced even further. This is a complete departure from the long-held principle of 'equal revenue for equal taxation.' Before HB 3, every district taxed at the same rate for the Tier I M&O (Maintenance and Operations) funding with recapture, and state aid ensured everyone was on a level playing field.

DIFFERENT RATES GENERATE THE SAME AMOUNT OF FUNDING



Source: Texas Education Agency

Now, every district taxes at a different rate for Tier I M&O and receives similar levels of funding.⁴ In addition to property-wealthy and property-poor districts, the system now also has high and low taxing districts. Because tax compression is based on growth, rather than wealth, there is no correlation between Tier I M&O tax rates and property wealth.⁵

When a recapture district experiences tax compression, its recapture payment declines because it collects less local property tax revenue. When a property-poor district experiences compression, its state share of funding increases as local revenue is collected. **In either tax compression scenario, there is no benefit to the classroom.**

TAX RATES ARE BASED ON GROWTH NOT WEALTH



Source: Texas Education Agency

4 Texas Education Agency, Division of State Funding. Tax Year 2021 Final Maximum Tax Rates; August 27, 2001

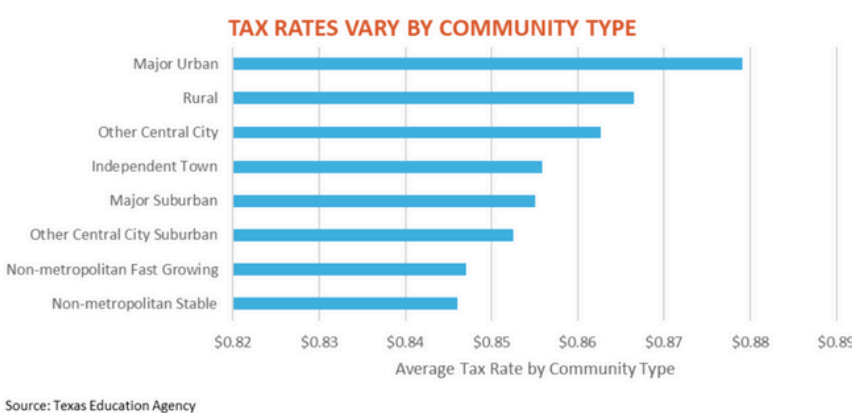
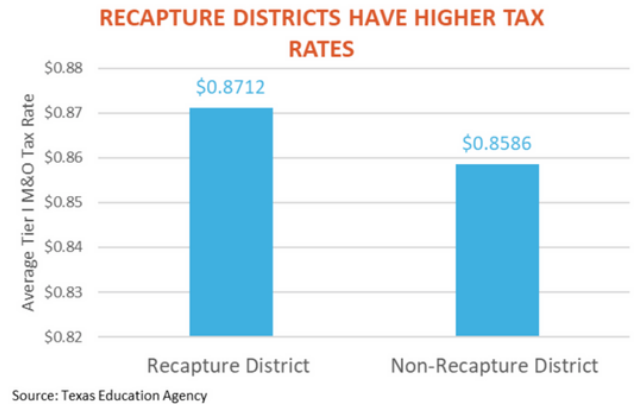
5 Every Texan analysis of Texas Education Agency Snapshot 2019-20 and Tax Year 2021 Final Maximum Tax Rates data.



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HB 3 has reduced the number of recapture districts to 239 in 2021 from 371 districts in 2019. The amount of recapture only declined to \$2.560 billion in 2021 from \$2.848 billion in 2019 and is estimated by the Legislative Budget Board to increase to \$3.015 billion by 2023.⁶ The Texas Education Agency is reporting that the recapture is already at \$3.116 billion for the 2021-22 school year.

While some property-wealthy districts are seeing large increases in wealth it's not enough to generate significant growth above the statewide average because those districts are already starting with such a large base. When a district starts with a small tax base it doesn't take as much growth to go beyond the statewide average. As a result, non-recapture districts have lower tax rates on average than recapture districts.⁷



This is also why school districts in small but growing communities have lower tax rates than schools in our major urban areas.⁸

TAX CUTS BEFORE KIDS

Instead of directing additional state resources to improve school funding for all districts, the Legislature chose tax cuts that are making the system more unfair for everyone. When school districts considered 'wealthy' by the state face budget cuts and teacher layoffs, then all districts are struggling. Without an alternative revenue source to replace property tax revenue lost to tax compression, the quality of our public education system will ultimately pay the price. Recapture has never been the villain of the school finance system but is used as a justification to push harmful tax cuts. Increasing the basic allotment and funding for special populations puts kids first.

⁶ Legislative Budget Board. Fiscal Size-Up 2022-23 Biennium; March 2022

⁷ Every Texan analysis of Texas Education Agency Tax Year 2021 Final Maximum Tax Rates and 2021 Recapture Paid by Districts data .

⁸ Texas Education Agency. District Type Glossary of Terms, 2019-20 (next page)



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TEXAS EDUCATION AGENCY. DISTRICT TYPE GLOSSARY OF TERMS, 2019-20

Major Urban (11 districts). A district is classified as major urban if: (a) it is located in a county with a population of at least 1,050,000; (b) its enrollment is the largest in the county or at least 70 % of the largest district enrollment in the county; and (c) at least 35 % of enrolled students are economically disadvantaged. A student is reported as economically disadvantaged if he or she is eligible for free or reduced-price meals under the National School Lunch and Child Nutrition Program.

Major Suburban (80 districts). A district is classified as a major suburban if: (a) it does not meet the criteria for classification as major urban; (b) it is contiguous to a major urban district; and (c) its enrollment is at least 3 % that of the largest contiguous major urban district or at least 4,500 students. A district also is classified as major suburban if: (a) it does not meet the criteria for classification as major urban; (b) it is not contiguous to a major urban district; (c) it is located in the same county as a major urban district; and (d) its enrollment is at least 15 % that of the largest major urban district in the county or at least 4,500 students.

Other Central City (39 districts). A district is classified as other central city if: (a) it does not meet the criteria for classification in either of the previous subcategories; (b) it is not contiguous to a major urban district; (c) it is located in a county with a population of between 100,000 and 1,049,999; and (d) its enrollment is the largest in the county or at least 70 % of the largest district enrollment in the county.

Other Central City Suburban (166 districts). A district is classified as other central city suburban if: (a) it does not meet the criteria for classification in any of the previous subcategories; (b) it is located in a county with a population of between 100,000 and 1,049,999; and (c) its enrollment is at least 15 % of the largest district enrollment in the county. A district also is other central city suburban if: (a) it does not meet the criteria for classification in any of the previous subcategories; (b) it is contiguous to another central city district; (c) its enrollment is at least 3 % that of the largest contiguous other central city district; and (d) its enrollment is equal to or greater than the median district enrollment for the state of 903 students.

Independent Town (67 districts). A district is classified as independent town if: (a) it does not meet the criteria for classification in any of the previous subcategories; (b) it is located in a county with a population of 25,000 to 99,999; and (c) its enrollment is the largest in the county or is at least 70 % of the largest district enrollment in the county.

Non-Metropolitan: Fast Growing (34 districts). A district is classified as non-metropolitan: fast growing if: (a) it does not meet the criteria for classification in any of the previous subcategories; (b) it has an enrollment of at least 300 students; and (c) its enrollment has increased by at least 20 % over the past five years.

Non-Metropolitan: Stable (161 districts). A district is classified as non-metropolitan: stable if: (a) it does not meet the criteria for classification in any of the previous subcategories; and (b) its enrollment is equal to or greater than the median district enrollment for the state.

Rural (464 districts). A district is classified as rural if it does not meet the criteria for classification in any of the previous subcategories. A rural district has either: (a) an enrollment of between 300 and the median district enrollment for the state and an enrollment growth rate over the past five years of less than 20 %; or (b) an enrollment of less than 300 students.



TEXAS PUBLIC SCHOOL FUNDING: RECAPTURE A QUICK GUIDE FOR PARENTS



Want more details? Access [Every Texan's full report here](#).

Texan public school parents, regardless of our race, gender, or family income, care about our children's public schools and teachers. This Texas public school funding quick guide is designed to answer important questions about recapture and how the state legislature can do a better job investing in our children's futures.

WHAT IS RECAPTURE (AKA ROBIN HOOD)

First, local property tax dollars are collected to meet a school district's budget (which is based on a complex formula — see full report). If a school district is unable to collect the full amount of allowed funding through taxes, the state makes up the difference. If a school district collects more revenue than allowed, the state “recaptures” or collects that excess revenue for redistribution within the education system — it becomes a part of state aid. Property-wealthy districts, like Austin, pay into recapture because their property tax revenue per student exceeds what the state says the district can have.

If a district paying recapture is facing budget constraints, all districts are struggling. Recapture is not the problem. The real issue is that the Texas Legislature denies adequate resources for public education.

RECAPTURE TRUTHS FOR PARENTS:

- Districts that cannot collect enough property tax revenue to fund their district budget receive “state aid” which is partially made up of recapture dollars;
- Recapture dollars are part of a district's annual budget, not “extra” dollars allocated to a district on top of its budget;
- Recapture dollars are used exclusively for educational purposes and not allocated to any other state expenses.



TEXAS PUBLIC SCHOOL FUNDING: RECAPTURE A QUICK GUIDE FOR PARENTS

WHAT IS THE ROOT PROBLEM WITH TEXAS' PUBLIC SCHOOL FUNDING SYSTEM?

The Texas Legislature has not formally assessed the cost of educating each student. **Elected officials need to prioritize our children's public education and increase the basic allotment per student.**

Assessing the true cost of education per student and increasing the basic allotment means all Texan public school districts will have adequate funding and districts won't have to worry about recapture dollars.

HOW DO WE FIX THE ROOT PROBLEM AND HAVE AN ADEQUATELY FUNDED PUBLIC SCHOOL SYSTEM FOR EVERY STUDENT INCLUDING MY CHILDREN?

Elected officials must increase state dollars to improve school funding for all districts no matter where the district is located or how property wealthy or poor it is. Today, powerful elected officials have prioritized tax cuts over our schools. When school districts considered 'wealthy' by the state face budget cuts and teacher layoffs, this shows all districts are struggling. **Without an alternative source to replace property tax revenue lost to tax cuts, the quality of our public education system and our students pay the price.**

WHAT CAN I DO TO ADVOCATE FOR A FULLY FUNDED EDUCATION FOR EVERY PUBLIC SCHOOL STUDENT, INCLUDING MY KID?

1. Call your Texas elected representatives and tell them that every single one of our students deserves a fully funded education and that increasing the public education basic allotment per student is a priority for you. Elected officials need to hear that we parents care about our children's education and want it fully funded.
2. Advocate alongside teachers and the teachers union; we're in this together! [Sign up here](#) for advocacy opportunities with the Texas AFT campaign, Respect Us, Expect Us:
3. Engage with your school's Parent Teacher Association (PTA) and organize an advocacy day at the Texas Capitol. Or volunteer with [Just Fund It TX](#).
4. Talk to other parents about recapture and why it's not the villain or the root problem.

HAVE MORE QUESTIONS?

Contact us! We're here alongside you in this fight for a fully funded, quality public education for every Texas child.