

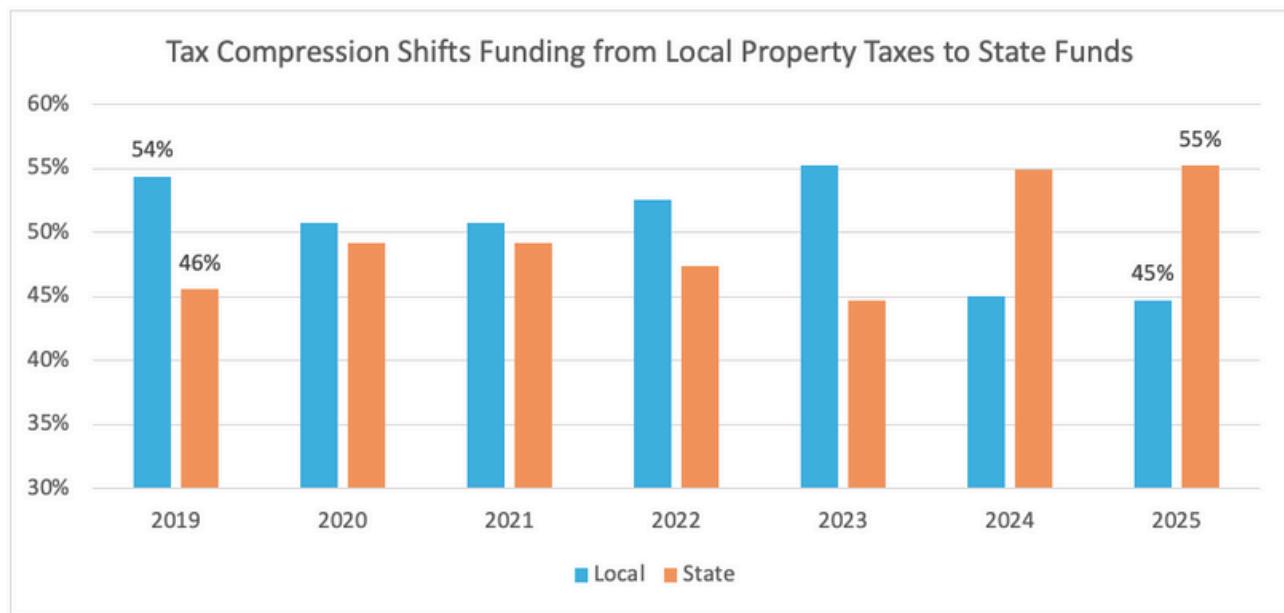


## REDUCING PROPERTY TAX RATES INCREASES THE STATE'S SHARE OF FUNDING, BUT DOES NOT HELP CLASSROOMS

Funding our schools is a partnership between the state and local property taxpayers (homeowners, renters, and businesses). The state uses a complex formula, based on student demographics and districts characteristics, to determine funding levels for each district.

The state first applies local property tax dollars toward meeting the obligated funding level for a district. When property tax revenue increases the state's contribution decreases. As a result of rising property values, the school finance system became overly dependent on local property taxes.

To address this growing imbalance, the Legislature passed a massive property tax cut bill in 2019 (HB 3). Under this new plan, property value growth at a certain level triggers property tax rates to decrease across the state. While this change shifts the funding obligation from local property taxes to state funds at a great cost, it does not provide any benefit to our schools.



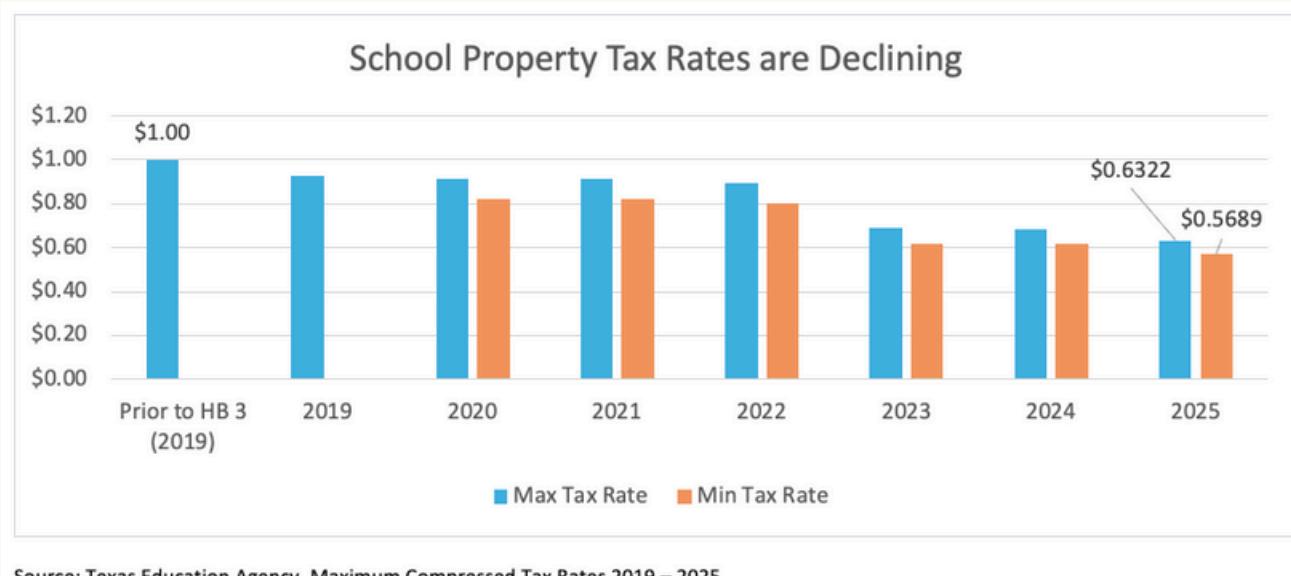
Source: Legislative Budget Board – Fiscal Size-Up 2024 – 2025. Recapture is included in the state share.

Since 2019, school property tax rates have decreased significantly. Prior to the passage of the tax cut legislation, every school district taxed at \$1 per \$100 of property value for Tier I (districts have the option of accessing Tier II rates to generate additional funding). Today, the highest tax rate the state allows a school district to levy for Tier I is \$0.6322 per \$100 of value.





School districts that experience property value growth above the statewide average must compress, or lower, their tax rates even further. This 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.



Since all students deserve a high-quality education, regardless of where they live, the state should contribute a significant portion of the revenue needed to operate our schools. Reducing tax rates shifts where the money for schools comes from but does nothing to improve the quality of education for our students.

Instead of reducing tax rates, Texas should increase its share of funding to schools by increasing the base level of funding, adjusting funding for inflation every year, fund every student enrolled, and improve funding for special populations.