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THE SOLUTION, IF ROBIN HOOD WERE A TAKS PROBLEM

By F. Scott McCown

The Houston Independent School District is misleading parents and taxpayers when it blames Robin Hood for the district's money woes. For example, a recent posting on HISD's Web site claims it is losing \$28 million and 124 jobs because of Robin Hood.

Nothing could be further from the truth.

The basics of school finance are simple. Each district sets a property tax rate to raise money for operations. For each penny of tax per \$100 of appraised property value, the district gets a certain yield per student. If the yield is lower than \$28, the state makes up the difference. If the yield is higher than \$30, the state takes away the difference.

Because HISD's yield is less than \$28, the state sends HISD money. Yes, you read that right. The state sends HISD money.

So why does HISD blame Robin Hood for its budget problems? When property values go up in a district, the yield for a penny of tax goes up. If this year you raise \$25 per penny of tax, then the state sends you \$3. If next year property values go up and you raise \$26 per penny of tax, then the state sends you \$2. You have the same total amount of money, but state aid has gone down \$1. HISD calls this Robin Hood.

It isn't. We have funded our schools this way since 1949. It has nothing to do with Robin Hood, which began in 1993 and which requires a small number of property-wealthy districts to send money to other districts.

HISD sends no money away, and it has no less money this year than last year.

HISD is hurting financially because of increased expectations and higher costs. Robin Hood didn't cause this problem, though, and killing it would make it worse, not better. If we killed Robin Hood, rich districts such as Highland Park in Dallas would get a boatload of money, but HISD would lose about \$257 per student in state aid, totaling about \$67 million.

Killing Robin Hood wouldn't help property taxpayers either. If the state gets less money from Robin Hood, it has less money to send to HISD, and HISD must rely even more heavily on property taxes.

How do we get more money for schools, reduce property taxes and treat all districts fairly? We increase the guaranteed yield. Right now, the state guarantees a yield of \$28 and pays 38 percent of the cost of education. If the state increased the yield to \$45, the state would pay 60 percent of the cost of education, and the districts could spend more or reduce property taxes (by up to a third) or do some of each.

A \$45 yield would also reduce the payments of those property-wealthy districts that do send money away under Robin Hood from \$1.1 billion to \$355 million.

So why don't we just raise the guaranteed yield? To raise the yield to \$45 would cost about \$5.5 billion annually in state tax dollars. Without a personal income tax, or a significant new business activity tax, or a significant expansion of the sales tax base, the state simply doesn't have the money.

Texas currently has about the weakest state tax system in the country, ranking 48th in tax burden. This is the problem we need to fix.

Killing Robin Hood out of misdirected anger would help only a few property-wealthy districts and hurt the vast majority of districts, including HISD.

Here is a good question for the TAKS test: At the same tax rate, District A raises \$300 and District B raises \$150. Under Robin Hood, District A must send \$50 to District B to make things less unequal. District A now has \$250 and District B has \$200. District A demands an end to Robin Hood. District B agrees. District A gets back \$50 and once again has \$300. Now the taxpayers in both A and B must pay a higher state sales tax to send \$50 to District B to keep it at \$200. Are the children and taxpayers in District B better off?

McCown was the district judge who presided over the state's school finance cases from 1990 to 2002 when he retired to become the executive director at the Center for Public Policy Priorities in Austin.