



# Where Do We Go from Here?

## Finding a School Finance Solution

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Presentation available at [www.cphp.org](http://www.cphp.org)

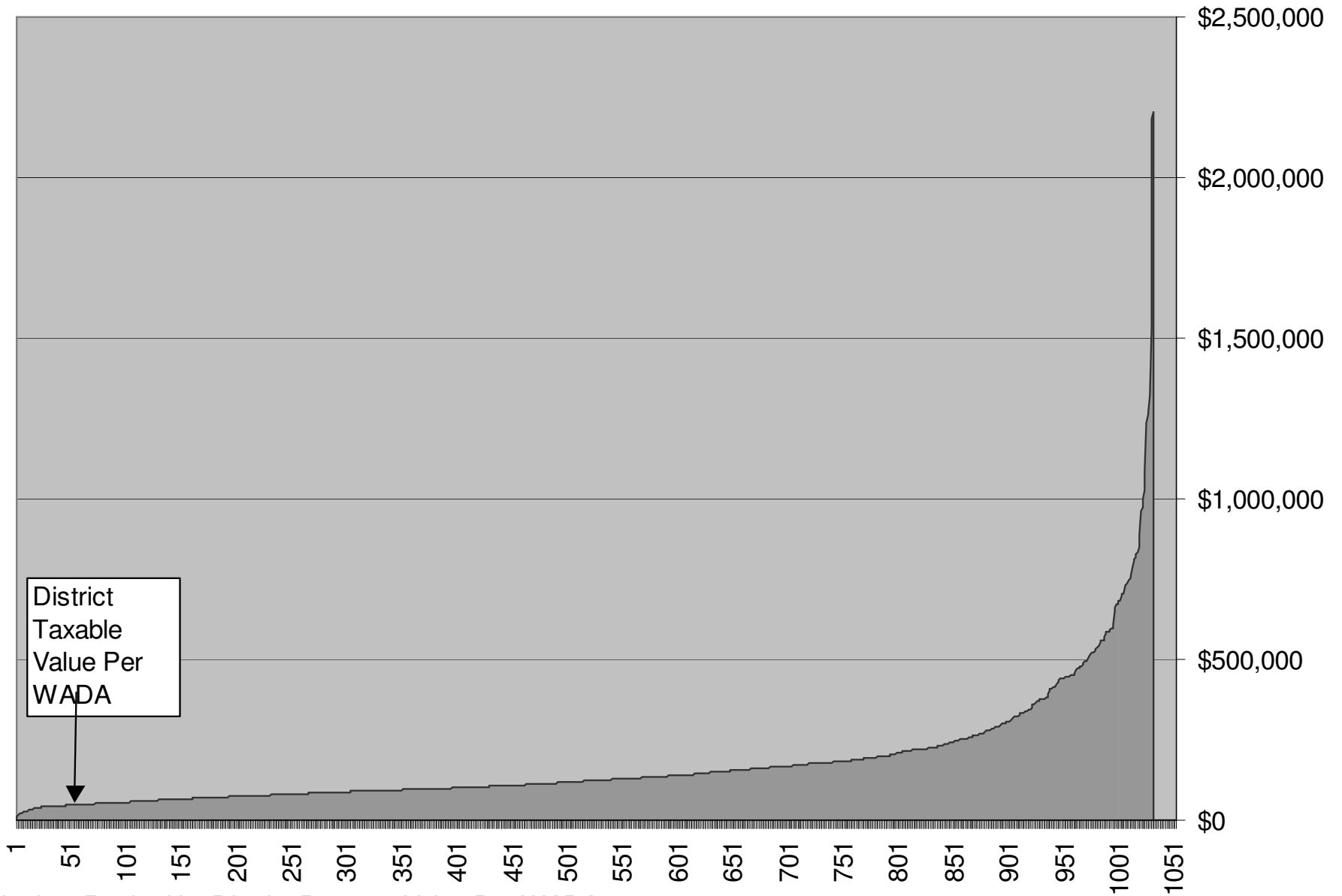
Texas Declaration of Independence  
March 2, 1836

“The Mexican government has failed to establish any public system of education, although possessed of almost boundless resources, the public domain, and although it is an axiom in political science, that unless a people are educated and enlightened, it is idle to expect the continuance of civil liberty, or the capacity for self government.”

Texas Constitution  
Article VII, Section I

“A general diffusion of knowledge being essential to the preservation of the liberties and the rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.”

## District Property Value Per Weighted Student Average Daily Attendance (WADA)

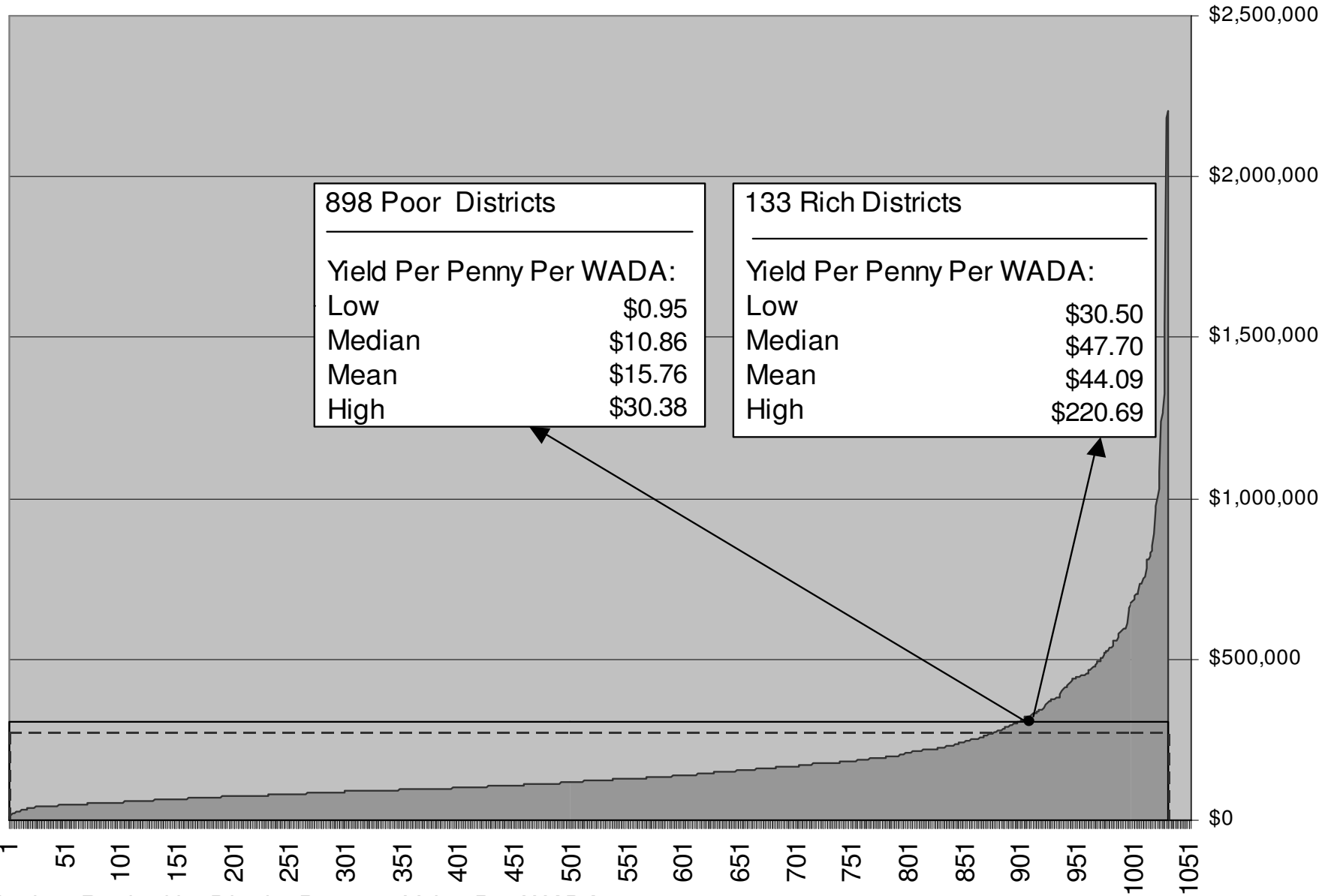


District  
Taxable  
Value Per  
WADA

Districts Ranked by District Property Value Per WADA

Sources: 1) TEA DPV Data (2002) 2) TEA PEIMS Ethnicity and Economic Data (2002-03)  
3) Equity Center WADA Data (2003-04) 4) Comptroller's Annual Property Tax Report

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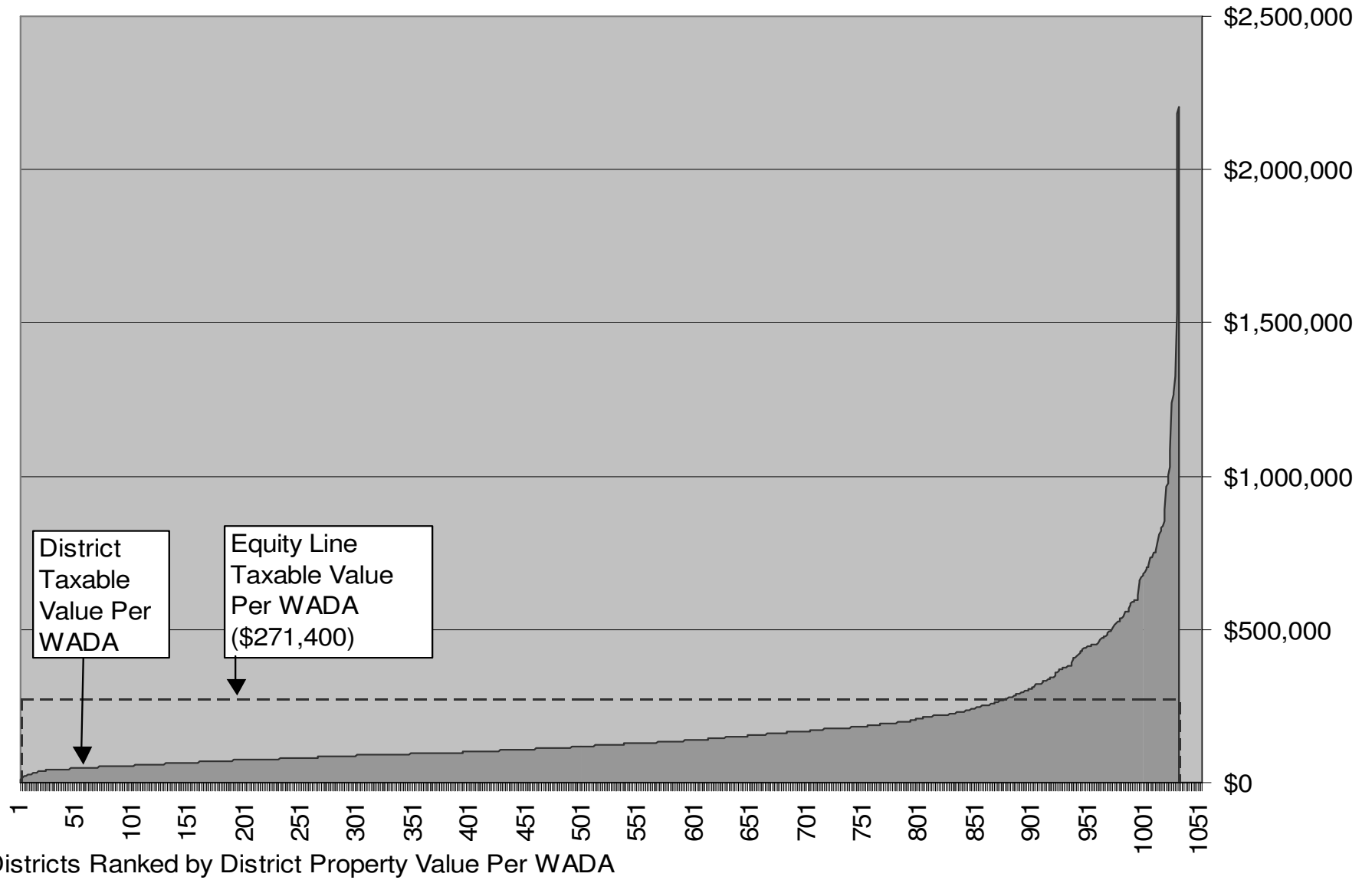


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	Low-wealth districts	High-wealth districts
Total students	88%	12%
Total taxable property value	74%	26%
Portion of total taxable property value that is business	57%	62%

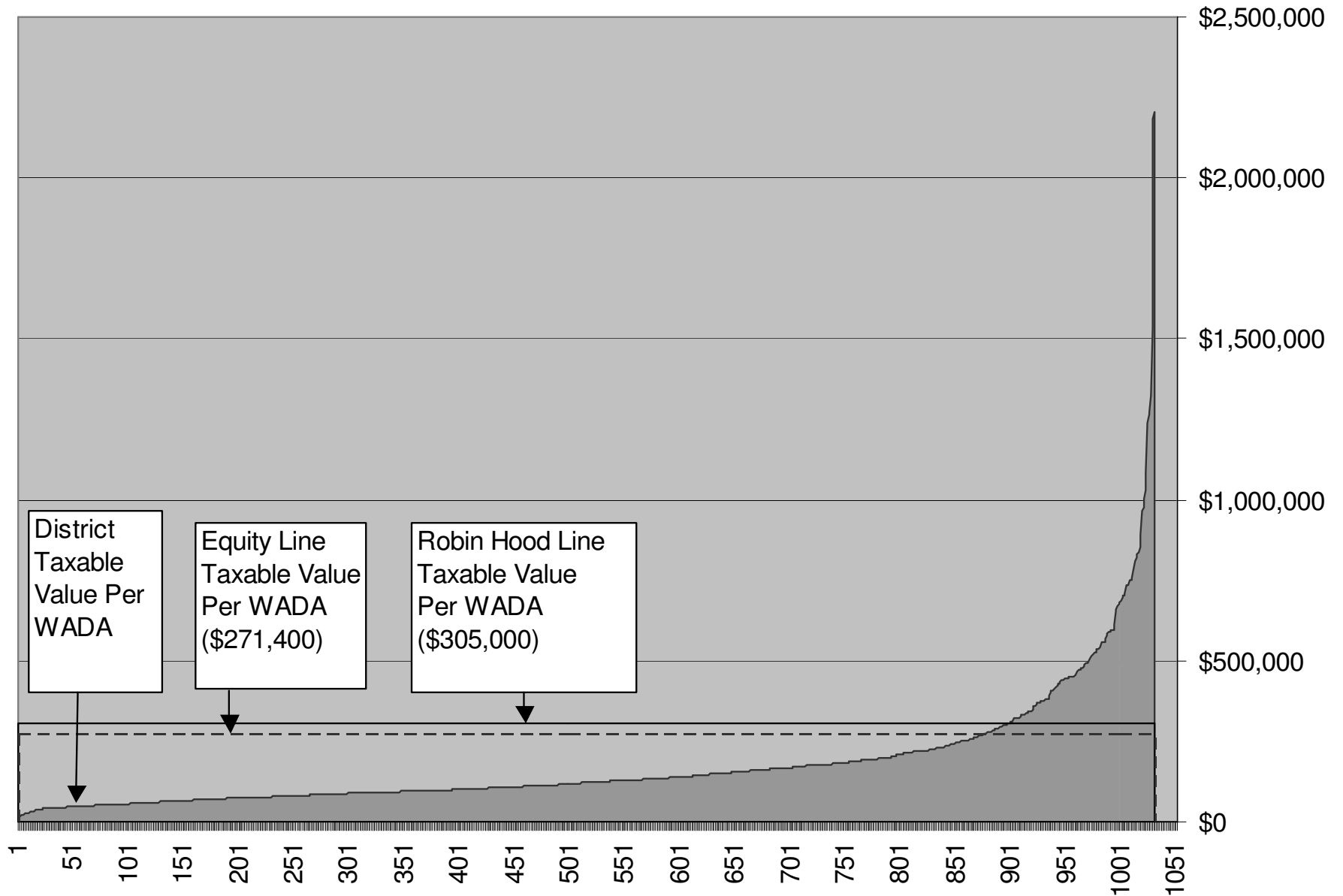
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*Center for Public Policy Priorities (June 2003)*

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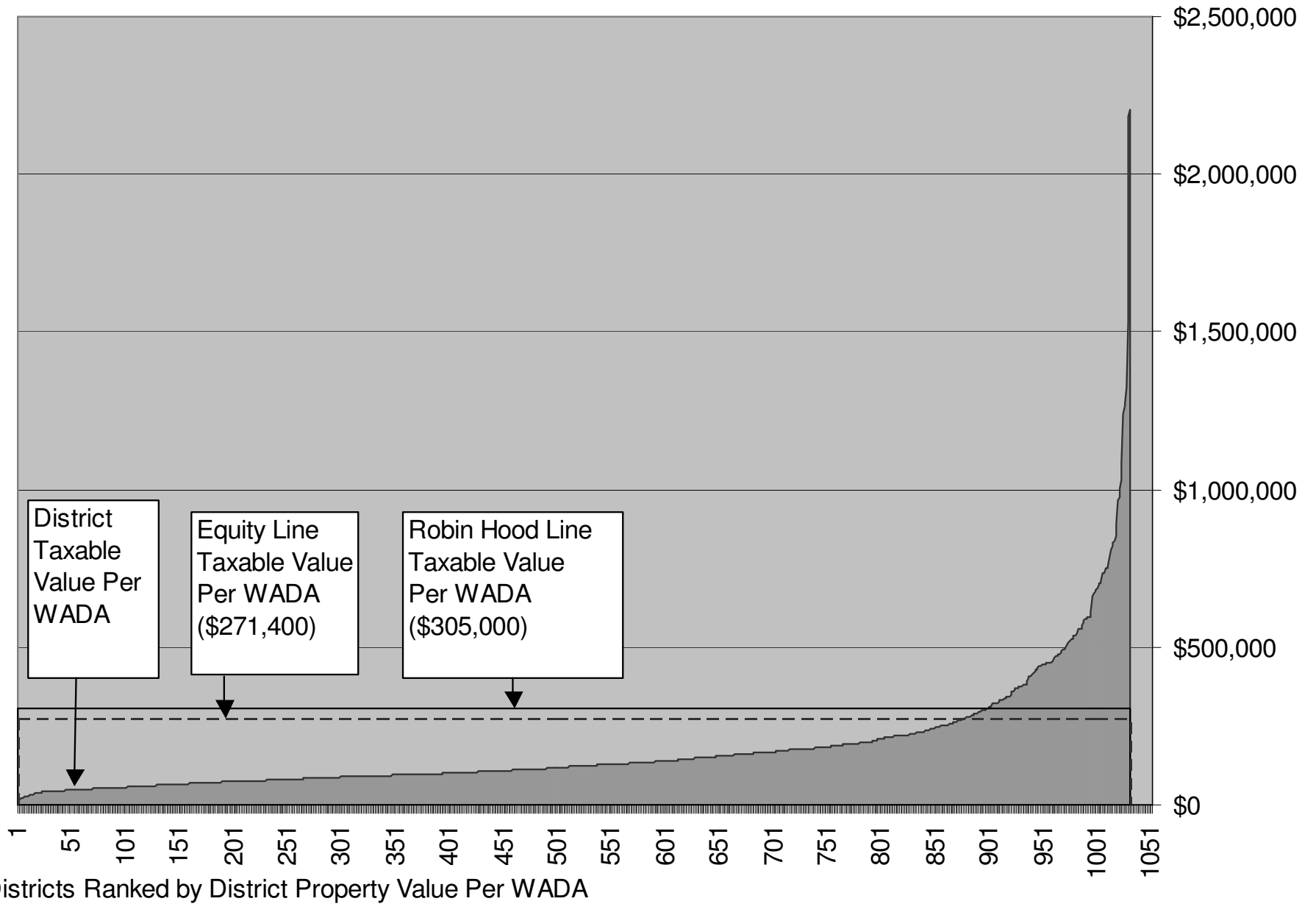
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# Why Robin Hood?

- Gives districts a parallel interest
- Narrows the gap, making equity affordable
- Provides money the state needs

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Center for Public Policy Priorities (June 2003)

	Number of students		Percent of group	
	Low-wealth	High-wealth	Low-wealth	High-wealth
Anglo	1,408,130	272,999	84%	16%
Hispanic	1,651,861	143,059	92%	8%
African-American	537,034	48,477	92%	8%
Other	104,621	29,809	78%	22%
TOTAL	3,701,646	494,344	88%	12%
Economically disadvantaged	2,001,792	166,858	92%	8%

## Poor Districts

3,701,646 Students

(88% of Students)

Anglo 38%

Hispanic 45%

African American 14%

Other 3%

Economically 54%

Disadvantaged

## Rich Districts

494,344 Students  
(12% of Students)

Anglo	55%
Hispanic	29%
African American	10%
Other	6%
Economically Disadvantaged	34%

## Consequences of Killing Robin Hood:

- High-wealth districts could increase spending by \$2,200 per student annually.
- Or, high-wealth districts could reduce property taxes by \$1.1 billion annually – cutting school tax rates by an average of more than 40 cents.

## Cost of “Replacing” Robin Hood

- To increase per student spending the same amount in low-wealth districts would cost \$8.1 billion annually.
- Or, reducing property taxes the same proportion in low-wealth districts would cost \$3.2 billion annually.

# Who Benefits from Killing Robin Hood?

- About half of all children who benefit live in just five districts (Austin, Round Rock, Plano, Richardson, Spring Branch)
- About half of all the money goes to just seven districts (Austin, Eanes, Plano, Highland Park, Richardson, Carrollton-Farmers Branch, Grapevine-Colleyville)



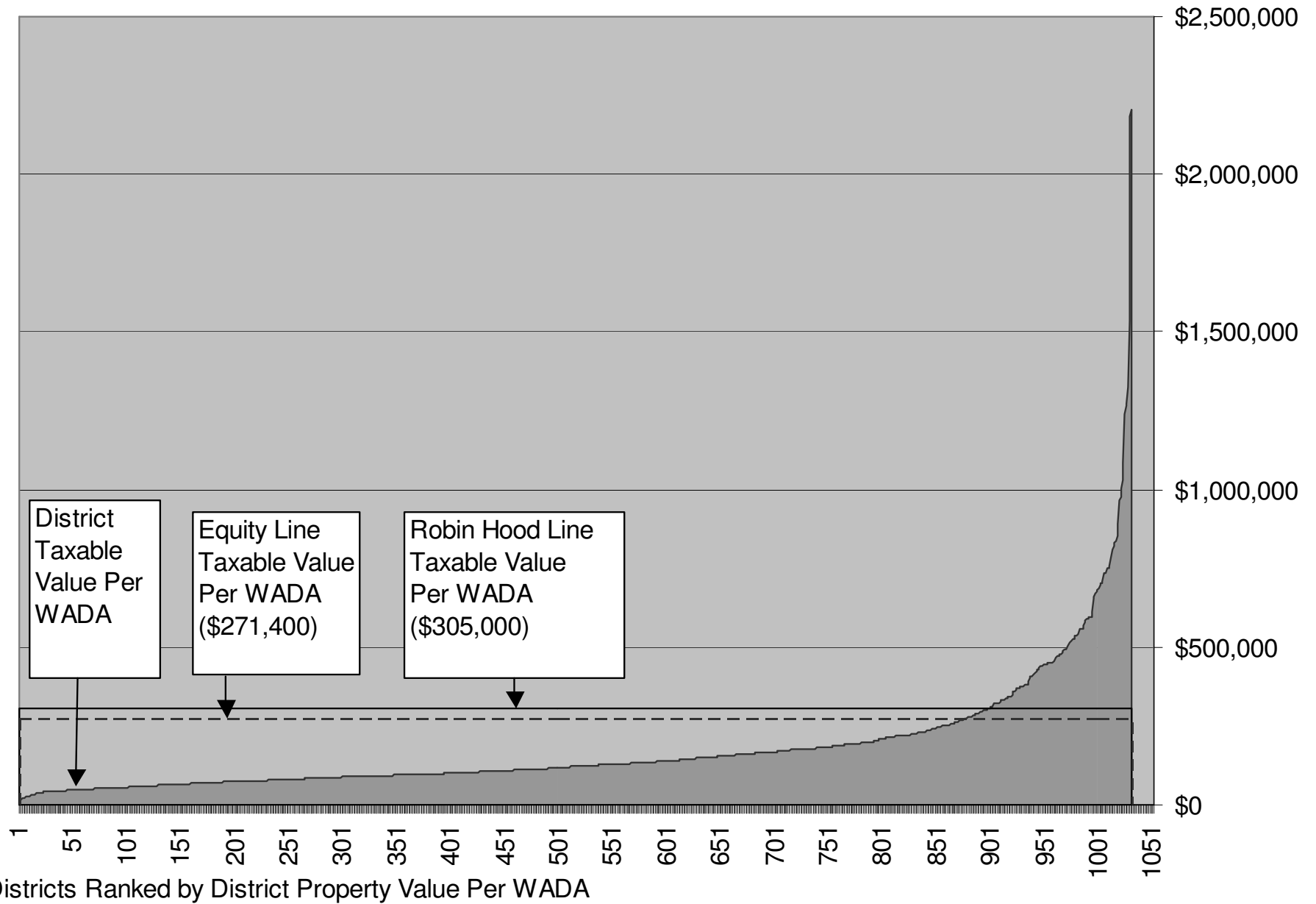
# What is the problem?

- Recapture?
- High property taxes?
- Out of capacity?

## Simple Solution to all Three: Raise the Guaranteed Yield

- Increases state share and reduces local share
- Allows districts to lower property tax rates
- Reduces the number of districts who make recapture payments and the size of the payments made by the remaining districts
- Gives all districts—rich and poor—more money to spend

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# Increasing the Guaranteed Yield

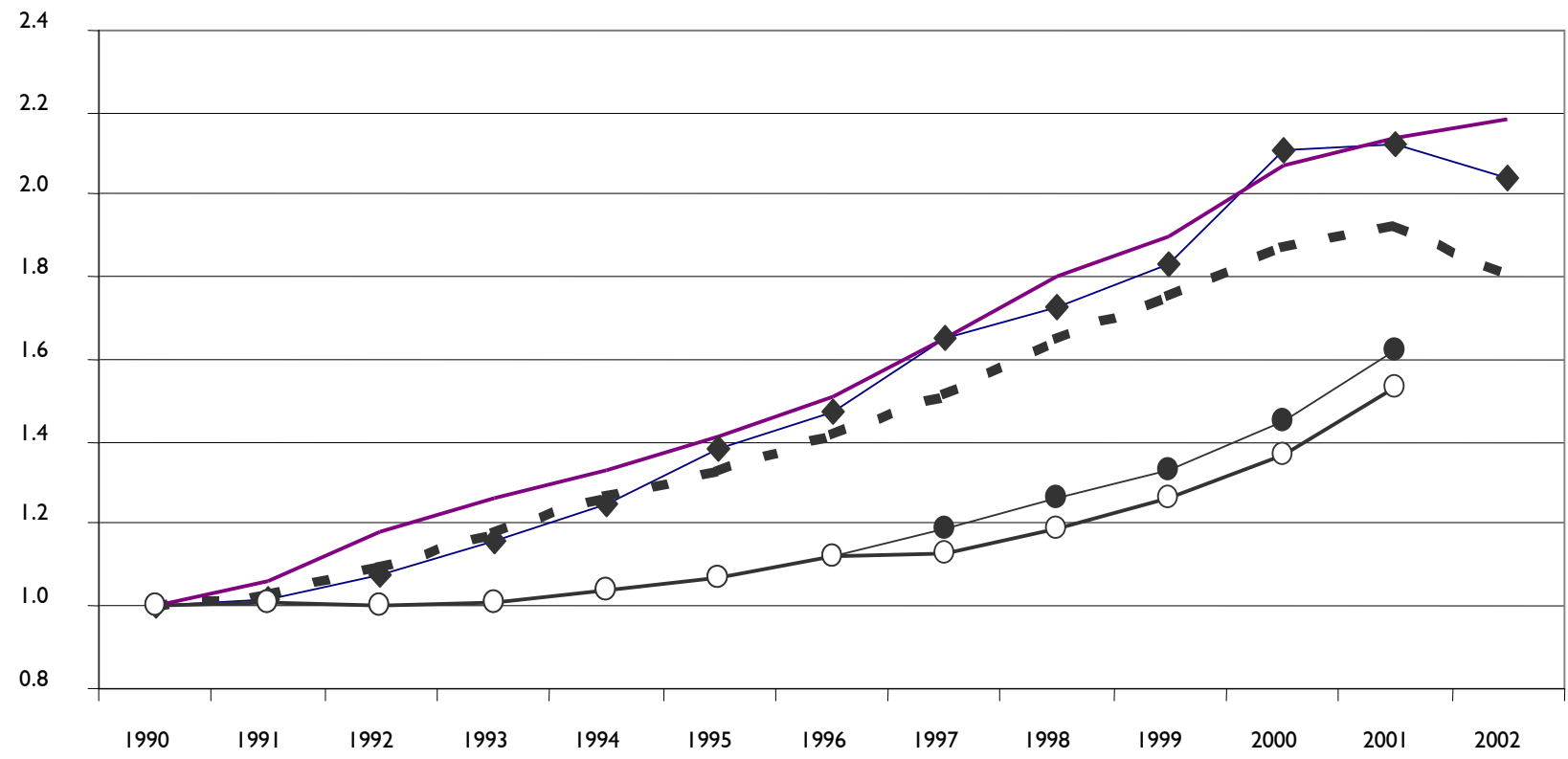
State share	Guaranteed Yield/ Penny	Property tax reduction	Additional Biennial cost	Annual Recapture		
				Amount	Districts	Students
40%	\$30	0	0	\$1.1 billion	140	503,000
50%	\$36	17%	\$5 billion	\$800 million	101	341,000
60%	\$45	33%	\$11 billion	\$355 million	72	107,000
2/3	\$54	44.5%	\$14.5 billion	\$220 million	51	46,000
70%	\$60	50%	\$16 billion	\$170 million	45	37,000

# What is the barrier to raising the Guaranteed Yield?

- The state tax base has been growing too slowly to meet state needs
- To cope, the state has been living off the growth in property tax values
- The state does not have a state tax that can generate the money needed

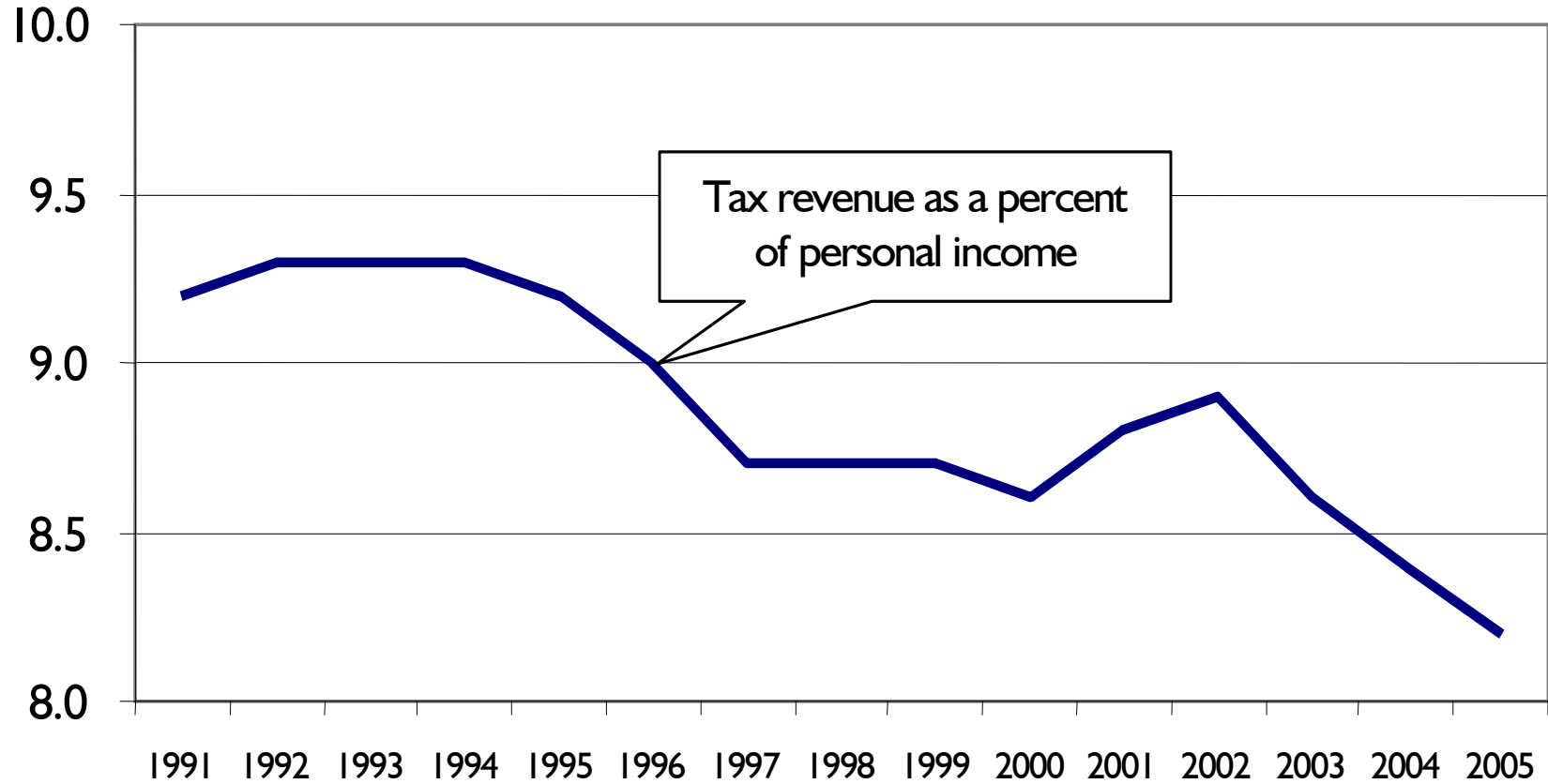
# Our Tax Base is Inadequate

Growth Index

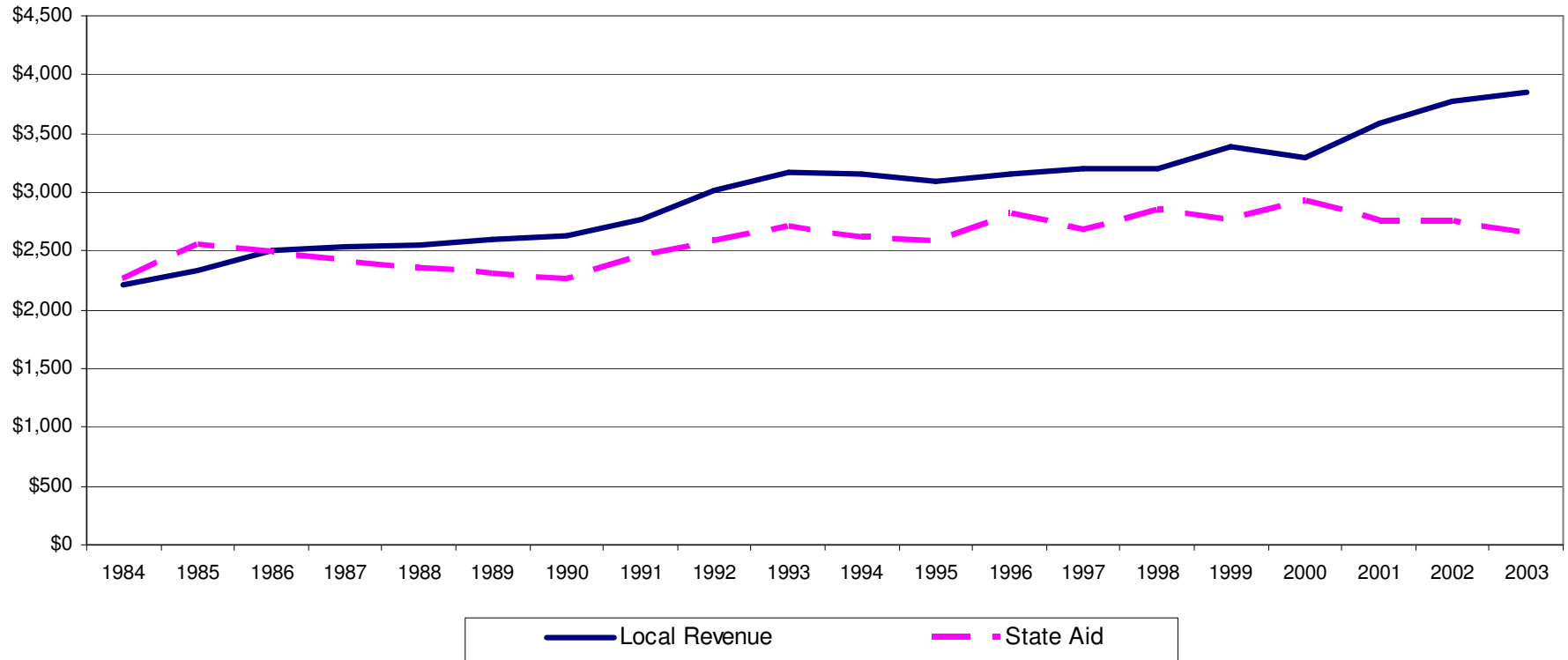


Percent of  
Personal Income

## State and Local Tax Revenue is Falling as a Percentage of Our Economy



## As State Aid Stagnates, Local Sources Have to Pick Up the Slack





# Dangers of Shifting to State Taxes

- If state taxes go to “replace” recapture, they are just a reverse Robin Hood
- Shifting to state taxes may make the schools dependent on an inadequate state tax base, depending on what and how we tax
- If every single penny of an inadequate tax base goes to public education, how do we pay for everything else—higher education, health and human services, general government

# Dangers of Property Tax Relief

- Cap rate, which gives districts increased revenue only if and as value increases
- Cap revenue, which means you actually must lower your rate as values increase
- Shifts funding decisions to Austin, which means funding only out of an inadequate state tax base and a loss of local control

# Why not restructure state taxes?

- Caught in a national no-tax movement
- This is the very reason some of the property rich seek a solution that gives them more to spend without higher state taxes
- This is the very reason some of the property poor seek to trade “equity” for “adequacy”

# Incentive Based Funding

- As part of an equitable and adequately funded system, incentive based funding can be positive
- Texas does not yet have the equitable and adequate base

**Texas:**  
**One and Indivisible**