

Texas School Finance – What to do about “Recapture”

What to Do About “Recapture”?

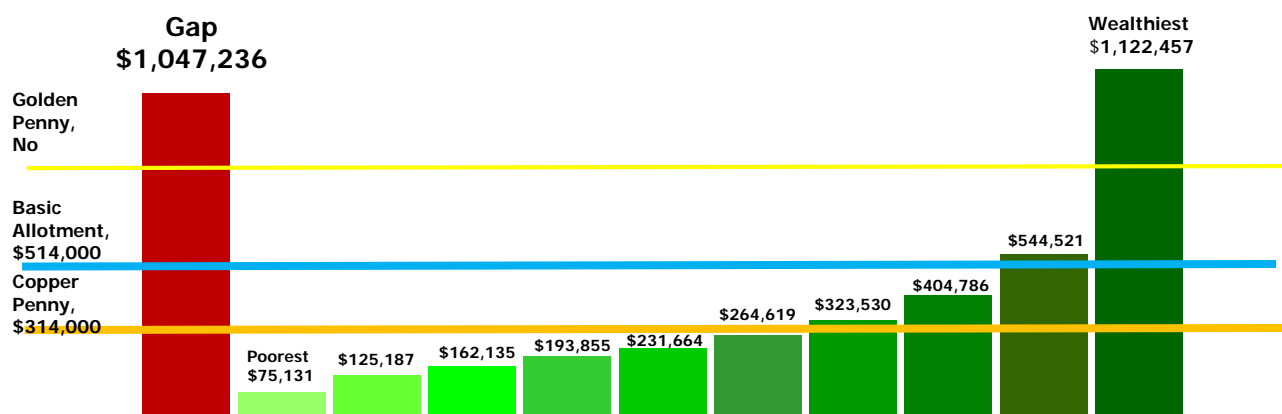
Recapture is an essential element in funding education in Texas. But, a combination of the state’s failure to invest state tax dollars in education, static equalized wealth levels, and rising property taxes has placed a growing burden on local property taxpayers. The state’s core problem lies in its failure to fund education based on actual costs rather than on a “funds-left-over” basis. There are many ways the state can address recapture, some that improve equity for school districts across Texas and others that diminish equity. The table below identifies some possibilities of reducing recapture.

Ways to reduce recapture and <u>improve equity</u>	Ways to reduce recapture but <u>exacerbate inequity</u>
Substantially raise copper penny and basic allotment levels	Eliminate recapture altogether
Increase the bilingual and compensatory weights to 0.25	Extend number of unrecaptured golden pennies
Add recapture to golden pennies and extend to 10 pennies (from 6)	Extend target revenue without any limits for excess wealth
Update the Cost of Education Index and fully fund it	Create further “hold-harmless” measures for certain districts
Reclaim rising property tax revenues for education, not tax cuts	Create additional “credits” against recapture

Background on Recapture

The Texas public education system is funded chiefly through local property taxes (52 percent by local property taxes compared to 38 percent by state taxes). But property values are incredibly unequal across the state with a difference of over \$1 million between the wealthiest and poorest decile of school districts. Without any equalizing measure, Texas’ school finance system would run afoul of the Texas Constitution, which requires that all school districts have access to similar tax revenues at similar tax effort.¹ To offset these inequities, the state enacted *recapture* in 1993 to help equalize property wealth across the state. Recapture achieves greater equity by “recapturing” local tax revenue above certain equalized wealth levels from property-wealthy districts (see graph below) and combining that revenue with other state tax dollars to help raise revenue for lower wealth school districts and enhance the educational opportunities for all Texans.

Property Wealth per WADA by Decile of Districts, with Equalized Wealth Levels (2016)



For additional resources, visit IDRA’s [Fair Funding for the Common Good](#) website. For questions, contact IDRA’s National Director of Policy, David Hinojosa, at david.hinojosa@idra.org or 210-444-1710, ext. 1739.



¹ See, e.g., *Edgewood v. Kirby*, 777 S.W.2d 391 (Tex. 1989); *Neeley v. West Orange-Cove ISD*, 176 S.W.3d 740 (Tex. 2005).