



HB 59 Strips Schools of the Local Funding They Need for Equitable and Adequate Education

IDRA Testimony against House Bill 59, Submitted by Chloe Latham Sikes, Ph.D., before House Ways & Means Committee, April 12, 2021

Dear Chairman Meyer and Honorable Members of the Committee:

My name is Dr. Chloe Latham Sikes, and I am the Deputy Director of Policy at IDRA (Intercultural Development Research Association). We are an independent, non-partisan, education non-profit committed to achieving equal educational opportunity for every child through strong public schools that prepare all students to access and succeed in college. We oppose HB 59.

House Bill 59 would defund public schools. Texas public schools are largely funded by local property taxes, generated by the maintenance and operations (M&O) tax rate. The median local share of school district revenue is 46%, and 131 districts rely on their local tax revenue for nearly 100% of their funding, totaling over \$7.1 billion. In total, communities across the state generate over \$24 billion in local revenue from M&O taxes for their schools. Given the state's current revenue shortfall, it is unlikely that the state could make up for this amount of funding.

Texas schools need local funding as part of the state's formula to provide an equitable and adequate education. However, relying on local funding over state revenue for equalization purposes exacerbates inequitable funding across low- and high-property wealth school districts. New revenue streams that support and sustain state funding for public schools are necessary for an equitable school finance system.

Consumption taxes are a regressive and unstable source of tax revenue. Part of this bill proposes exploring alternate revenue streams to fund critical state services like public education. While the state should seek sustainable sources of tax revenue, HB 59 focuses on consumption taxes, which are regressive and unstable as they fluctuate greatly based on consumer behavior.

Recommendations

- Maintain local M&O taxes as a critical source of tax revenue for public schools;
- Explore new revenue streams that are progressive and sustainable, such as restoring the franchise tax to higher rates, closing tax loopholes and exemptions that benefit large corporations, and ensuring commercial businesses pay their fair share of property taxes; and
- Update and extend the sales tax to include services in our modern economy, such as those provided by lawyers, accountants, stockbrokers, real estate agents and management consultants.

Texas cannot afford to defund public schools' main revenue source. Please consider voting against HB 59.

IDRA is available for any questions or further resources that we can provide. Thank you for your consideration. For more information, please contact Chloe Latham Sikes, Ph.D., IDRA Deputy Director of Policy, at chloe.sikes@idra.org.

Resources

IDRA. (2021). IDRA School Finance Dashboards, online. San Antonio: Intercultural Development Research Association. <https://idra.news/SFdashboard>

Lavine, D. (2021). HB 59 Testimony – Ways and Means, blog post. Austin: Every Texan. <https://everytexan.org/2021/03/09/hb-59-testimony-by-dick-lavine-ways-and-means/>

IDRA is an independent, non-profit organization led by Celina Moreno, J.D. Our mission is to achieve equal educational opportunity for every child through strong public schools that prepare all students to access and succeed in college. IDRA strengthens and transforms public education by providing dynamic training; useful research, evaluation, and frameworks for action; timely policy analyses; and innovative materials and programs.