Budget Shortfall FAQs

Why is the district facing a $107 million budget shortfall for the 2016-2017 school year?

Under the state's current funding structure, the Houston Independent School District is required to make a "recapture" payment to the state under Chapter 41 of the Texas Education Code. The "recapture" payment for the 2016-2017 school year amounts to approximately $165 million. HISD is able to pay $58 million of that amount, but the remaining $107 million will need to be cut from the 2016-2017 budget.

What is Chapter 41?

Chapter 41 law, commonly known as the "Robin Hood Plan," was passed by the Texas Legislature in 1993 in an attempt to equalize disparities between property-wealthy and property-poor districts. Under the law, the state can take money from property-wealthy districts with revenue that exceeds a state-set level and redistribute the funds to property-poor districts — a process known as "recapture." Though nearly 80 percent of HISD students come from low-income families, rising property values throughout Houston caused HISD in 2015 to exceed the state-set level and go into "recapture."

Who receives the money HISD must pay in "recapture"?

The state uses "recapture" dollars from wealthier districts not just to redistribute to poorer districts, but also to put into the state's general revenue to pay for non-educational purposes.

What options does HISD have in making a "recapture" payment to the state?

School districts in Texas subject to "recapture" have five options to equalize wealth, and districts may exercise these options singly or in combination:

Option 1: Consolidate with another district
Option 2: Detach property
Option 3: Purchase credits from the state and send revenue to the state
Option 4: Contract to educate non-resident students from a partner district and send revenue to a property-poor district(s)
Option 5: Consolidate tax bases with another district

Options 3 and 4 must be approved by voters. If HISD voters do not approve sending $165 million of local property taxes to the state, then the commissioner of education is required to take billions of dollars of property from HISD and attach it to other school districts across Texas.

If HISD entered "recapture" in 2015, why wasn't there a large budget shortfall for the 2015-2016 school year?

In 2015, HISD's legislative team, along with board members, parents, and community members, lobbied aggressively during the 84th legislative session for a school finance bill that would keep HISD out of "recapture." That bill did not pass. Fortunately, at the end of the legislative session, lawmakers put $1.2 billion into the state school fund program. By using these last-minute funds, HISD was able to offset its $47 million "recapture" payment for the 2015-2016 school year.

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Can HISD's legislative team lobby again this year for a school finance bill?

Unfortunately, the Texas Legislature will not meet again until 2017. Although the governor can legally call a special session requiring lawmakers to meet this year, it is highly unlikely.

Why is HISD considered wealthy if nearly 80 percent of the district's students are economically disadvantaged?

A district's wealth is measured in terms of the taxable value of property within the district's borders, divided by the number of students in weighted average daily attendance (WADA). If a district's wealth per WADA exceeds limits established in law, the district is considered "wealthy." Student demographic percentages do not impact this designation.

Can HISD lower property values to avoid "recapture"?

No. Though the HISD school board adopts a property tax rate, the district cannot determine property values. Property values are determined by Harris County Appraisal District.

Can HISD change its tax rate to avoid "recapture"?

No, that is not an option. Even if HISD were able to raise its tax rate, the district would generate more revenue, but a portion of this new revenue would become subject to "recapture."

How will HISD prepare a 2016-2017 budget with a $107 million shortfall?

HISD's chief financial officer and budget team are in the process of analyzing the district's current expenditures and budget needs and are examining possible areas where cuts can be made. The Board of Education, which ultimately approves the district's budget, will be holding several public workshops over the next several months in which board members will examine and weigh in on different proposals and suggested cuts presented by the district. The board and chief financial officer have said their top priority is protecting classroom budgets.

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