

HISD voters rejected Proposition 1 on the November ballot. What is Proposition 1 and what does the vote mean for HISD?

HISD is subject to sending an estimated \$162 million in local property tax dollars to the state in 2016-2017 under a process called “recapture.” HISD’s Board of Education was required by state law to hold an election in November 2016 asking voters to approve or reject “purchasing attendance credits,” which is a method of paying recapture and sending the \$162 million to the state. Voters rejected Proposition 1 by 62% to 37%, so HISD is now subject to detachment of about \$18 billion worth of nonresidential, commercial property next July.

What does detachment mean?

The Commissioner of Education will remove \$18 billion worth of the most valuable non-residential, commercial properties from HISD’s tax roll – starting with the most valuable – and reassign (or annex) those properties to other school districts for taxing purposes. The reassigned properties would be taxed at different tax rates from buildings nearby and would likely pay a higher tax rate than they were paying to HISD.

Has a school district ever had property detached under Chapter 41 before?

No, this has never happened before.

Is there any other solution?

The Legislature convenes in January 2017 and could make changes to the school finance system to lessen or avert the impact of the recapture payment. If the Legislature does not act, the Commissioner of Education will detach properties effective July 1, 2017.

How did we get here? Why is HISD subject to recapture?

Under the state’s funding structure, HISD is considered “property-wealthy” and is subject to a “recapture” payment to the state under Chapter 41 of the Texas Education Code, commonly known as the “Robin Hood” plan. It was passed by the Legislature in 1993 in an attempt to equalize disparities between property-wealthy and property-poor districts. Under the law, the state receives local revenue from property-wealthy districts with revenue that exceeds a state-set level and redistributes those funds to pay for public education — a process known as “recapture.” Though nearly 80 percent of HISD students come from low-income families and a third are learning to speak English, rising property values in Houston and an outdated school finance system caused HISD in 2016 to go into recapture. See a previous FAQ on recapture [here](#).

What is the HISD Board of Education’s recommendation on how to proceed?

The Board of Education urges the Legislature to stop the detachment and reassignment of commercial property in Houston before June and, overall, reduce its over-reliance on local property tax dollars to fund public education statewide and replace those local tax dollars with state funds. Specifically, HISD’s legislative agenda outlines steps on how to proceed, including:

- Increasing the state-set “wealth” level, otherwise known as the basic allotment, which reduces recapture;
- Reducing the tax penalty to local homeowners by recognizing half of the local homestead exemption dollars in the school funding formula, resulting in about \$60 million in recapture savings;

- Counting full-day pre-K students in recapture calculations, resulting in \$39 million in recapture savings; and
- Allowing districts paying recapture to receive state transportation funding, resulting in roughly \$12 million in revenue for HISD.

If the Legislature does not act and detachment moves forward, will my taxes increase?

Whether commercial property is detached or not, a tax increase is a possibility. The district still needs to keep teacher pay competitive and pay for fixed cost increases. Recapture takes away those resources, so tax increases could be possible to meet financial needs of the district for both debt and general operations.

How can I make my opinion about this subject known?

If you would like to voice an opinion about recapture and school finance, reach out to your state legislator. Visit HoustonISD.org/Recapture for a list of state representatives and contact information, and for more information about recapture and HISD.