**Board considers options for sending**

**$165 million in local property taxes to state**

*Texas school finance system considers HISD wealthy,*

*despite high student poverty rate*

*May 19, 2016* – On the heels of last week’s Texas Supreme Court ruling declaring the state’s school finance system flawed, but constitutional, Houston ISD trustees met Thursday to discuss options for complying with the system’s requirement that HISD pay the state $165 million using local tax revenues.

Three out of every four HISD students live in low-income households and nearly one-third arrive in Houston schools speaking English as a second language. But because of rising property values in the district, HISD is considered wealthy and must therefore send local tax dollars to the state. Some, but not all, of that money is distributed to school districts with lower property values.

HISD has two options for paying the state the $165 million:

* Option 1: The Board of Education may call a so-called recapture referendum seeking voter approval to send local tax dollars to the state of Texas. HISD taxpayers would pay the cost of administering the election, at an estimated cost of $700,000 to $800,000. If the measure wins voter approval, HISD would pay the money owed directly to the state.
* Option 2: If HISD does not conduct a successful recapture payment election, the Texas Education Commissioner may identify non-residential property within HISD and add that property to the tax roll of a school district with less property wealth. Under this scenario, the owners of those properties would be taxed at the rate imposed by whichever school district to which they are added. The collective taxable value of these properties would equal roughly $18 billion. HISD has one of the lowest property tax rates in Texas, and the lowest tax rate of any school district in Harris County.

The Board of Education must decide whether to conduct a recapture referendum by Aug. 11. The election would then be held no later than Sept. 20.

HISD is projected to be required to send $1.12 billion in local tax dollars to the state over the next four years, if the current school finance formula remains unchanged. Future projected annual payment amounts assume that property values will rise 3 percent in 2017-2018 and by 5 percent in the following two years. HISD’s projected state payments are as follows:

* 2016-2017: **$165,400,034**
* 2017-2018: **$258,949,371**
* 2018-2019: **$309,313,316**
* 2019-2020: **$386,962,113**

To address the deficit caused by the school finance system, Interim HISD Superintendent Kenneth Huewitt has proposed significant budget cuts designed to minimize the impact on the quality of instruction received by HISD’s 215,000 students. So far, the draft budget proposal includes a $78.6 million reduction in central office and departmental budgets. Because the overwhelming majority of district spending goes to classrooms, the draft budget proposal includes an overall reduction of $179 in the amount each school receives per student, which would save about $40 million.

Some of the cost-saving measures being brought forward for the Board of Education’s consideration include:

* Elimination of the Apollo 20 tutoring and extended-day program ($19.6 million)
* Elimination of the ASPIRE performance award pay program ($10 million)
* Implementation of a standard campus bell schedule to reduce transportation costs ($3 million)

A final budget proposal is expected to be brought forward for Board of Education consideration in June.

