**Board of Education approves HISD budget**

*Spending plan addresses loss of $162 million of local taxes*

*because of Texas school finance system*

*June 16, 2016* – The Houston ISD Board of Education on Thursday approved a 2016-2017 budget that seeks to minimize the classroom impact of the loss of an estimated $162 million in local taxes to the Texas school finance system.

The budget proposal passed on a 5-2 vote, with trustees Manuel Rodríguez, Wanda Adams, Rhonda Skillern-Jones, Jolanda Jones and Michael Lunceford in favor. Trustees Greg Meyers and Anna Eastman were opposed, while Trustees Harvin Moore and Diana Dávila were not present.

For the first time ever, due to rising property values, the state of Texas has designated HISD as a property “wealthy” district, despite a student poverty rate of 76 percent. As a result, Houston schools will lose an estimated $162 million in local tax dollars to the state. If the current school finance system remains unchanged for another year, HISD projects to lose $257 million in local taxes to the state in 2017-2018. This would bring the two-year loss in local funding for Houston schools to an estimated $419 million.

In an effort to lessen the budget impact on classrooms as much as possible, the approved budget contains $84.3 million in cuts to central office and districtwide programs.

Because the vast majority of HISD’s budget is spent directly on schools, there was no way to implement the state-mandated cuts without impacting classrooms. The 2016-2017 budget includes a $179-per-student funding cut for schools. HISD is a decentralized district, meaning principals, working in collaboration with their campus communities, have broad discretion to determine how to reduce their own budgets.

The budget also includes funding of the district’s full-day pre-kindergarten program with local tax dollars. About $21 million in federal dollars, which currently fund half of the pre-kindergarten cost, will now be used to increase per-student funding at HISD schools with the heaviest concentration of poverty.

HISD has two options for paying the projected $162 million owed under the Texas school finance system:

* Option 1: In August, the Board of Education may choose to call a so-called recapture referendum seeking voter approval to send local tax dollars to the state of Texas. The election would be held Nov. 11. If the measure wins voter approval, HISD would pay the money owed directly to the state.
* Option 2: If HISD voters do not approve the recapture payment option, the Texas Education Commissioner will 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.

The budget also allows HISD to maintain its current maintenance and operations tax rate of $1.0267 per $100 of taxable value. The district is proposing an increase of 1 cent to the debt service tax rate for the repayment of voter-approved bonds in 2012. If approved, this would be just the second penny added to the debt service tax rate to pay for the 2012 bond, which is less than the 4.85-cent rate increase that was projected back in 2012. Even with this proposed increase, HISD will still boast the lowest tax rate among the two-dozen districts in Harris County. A vote on the property tax rate is planned for October.

The district will also continue offering a special 20 percent homestead exemption, which reduces the taxable value of a home by an additional 20 percent, saving HISD taxpayers millions of dollars. The proposed budget maintains current salary levels for teachers and other employees.

