

Didn't we already vote on Recapture in November? Why is HISD holding another election?

Yes. In November 2016, HISD voters rejected Proposition 1 and purchasing attendance credits by 62% to 37%, making HISD subject to Detachment of non-residential, commercial property to pay its Recapture obligation. Since then, action by the Texas Education Agency (TEA) and other factors have reduced HISD's Recapture obligation from about \$162 million to about \$77 million. Future Recapture obligations have been reduced as well. The vote also started a conversation among legislators in Austin about changing the state's outdated school finance system. In response, the HISD Board of Education called a new election for May 6, 2017, giving voters another opportunity to decide how HISD will pay its Recapture obligation.

Why is the Recapture payment lower now?

The TEA announced that it will recognize half of the local homestead exemption when calculating the wealth level per student (Recapture level) of HISD and other districts this year and in the years to follow. HISD offers a local homestead exemption of 20 percent off the full appraised property value of every home. Because of the exemption, the district only collects property taxes on 80 percent of every home's appraised value. The state saw 100 percent of each home on HISD's tax roll and assumed HISD collected 100 percent of the property taxes from homeowners. This assumption has long caused Recapture-paying school districts to send more of their local revenue to the state. HISD's estimated Recapture payment is also projected to decrease because of changes in the property values used to calculate a district's property wealth (CPTD) and weighted average daily attendance (WADA). Following the district's annual property value audit, the Texas Comptroller reduced HISD's property wealth, known as CPTD value, by \$2 billion, primarily as a result of property-value protests and lawsuits. Additionally, since the start of the school year, HISD's WADA has been slightly higher than projected. Because the amount of Recapture a district owes is calculated using the district's property wealth (CPTD) and WADA, adjustments to these values change the amount the district owes in Recapture.

What will be on the ballot on May 6 and what does a FOR or AGAINST vote mean?

Here's the language that will appear on the ballot: *Authorizing the board of trustees of Houston Independent School District to purchase attendance credits from the state with local tax revenues.*

A vote FOR means Purchasing Attendance Credits by writing a check for about \$77 million this spring to the state comprised of local property taxes. The district will continue to make annual Recapture payments, but our total tax collections will continue to grow to offset these payments as property values rise. A vote FOR means the district will have more capacity in the future to fund schools.

A vote AGAINST Purchasing Attendance Credits means Detachment of the most valuable non-residential, commercial properties located within HISD boundaries from the district's tax roll. The TEA will detach the properties and reassign them to Aldine ISD, where they will be taxed at Aldine ISD's tax rate. Under current law, those properties will be permanently detached, and the district will lose those tax collections for district operations. The district will lose debt service tax collections used to pay back bonds, which is the district's debt for building schools. A vote AGAINST means the district will face budget cuts and have less capacity in the future to fund schools.

Has a school district ever had property detached before?

No, this has never happened before.

How will taxes of detached commercial properties be impacted?

About \$8 billion worth of property has been identified for Detachment, and the Texas Education Agency has decided the first detached properties will be assigned to Aldine ISD, where they will be taxed at a higher rate. (HISD has the lowest tax rate among school districts in Harris County.) The list of properties include the Galleria, Greenway Plaza and downtown. HISD's total tax rate is \$1.2067, with Maintenance & Operations (M&O) at \$1.0267 and Interest & Sinking (I&S), which is used to pay the district's debt, at \$0.18. Aldine ISD's total tax rate is \$1.3233880, with Maintenance & Operations (M&O) at \$1.1333880 and Interest & Sinking (I&S) at \$0.19.

How does the vote impact the property tax rate in HISD?

Under both scenarios, the HISD tax rate may increase to fund the financial needs of the District to keep teacher pay competitive and pay fixed cost increases. HISD could face budget cuts if property values decline in the future as we are sending recapture payments to the state. As long as property values grow steadily, then we do not foresee major budget cuts. However, a vote AGAINST Purchasing Attendance Credits (resulting in Detachment) would result in a higher tax rate because the District will have less property to tax. In addition, as more and more commercial properties are detached, a larger percentage of the responsibility to fund public education would shift to homeowners and remaining business owners.

Is there any other solution?

The Legislature convened in January 2017 and could make changes to the school finance system to reduce HISD's Recapture payments in the future. If the Legislature does not act or if the May election fails, the Commissioner of Education will detach properties effective July 1, 2017. As long as property wealth grows in Houston, and the state's school finance system remains the same, HISD will continue to remain in Recapture. In addition, the Legislature could reform the entire school finance system and eliminate recapture as a funding mechanism for public education either this session or in future legislative sessions.

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 current law, local property taxes recaptured from property-wealthy districts do not actually increase funding for property poor districts, but instead replace and free-up State general revenue that may be spent for other purposes. 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.

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

Board of Education trustees have traveled to Austin to work with the Legislature on the Recapture issue. The Board urges the Legislature to reduce its over-reliance on local property tax dollars to fund public education statewide and replace those local tax dollars with state funds. HISD's legislative agenda outlines further steps on how to proceed, including:

- Increasing the state-set "wealth" level, otherwise known as the basic allotment, which reduces Recapture;
- 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 about \$12 million in revenue for HISD.

How can I stay informed about what is happening in the Legislature regarding school finance?

You can visit HoustonISD.org/Recapture or sign up to receive news updates from HISD via e-mail at www.HoustonISD.org/subscribe. You can also visit our newsblog at HoustonISD.org and follow us on social media at [Twitter.com/HoustonISD](https://twitter.com/HoustonISD) and [Facebook.com/HoustonISD](https://facebook.com/HoustonISD).