



# Recapture

*Presentation for the*  
***Joint Subcommittee***  
*Austin City Council*  
*Austin ISD Board of Trustees*  
*Travis County Commissioners Court*

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March 25, 2022



A background image of a forest with tall trees and sunlight filtering through the canopy. A semi-transparent green rectangular box is overlaid on the left side of the image, containing the title text.

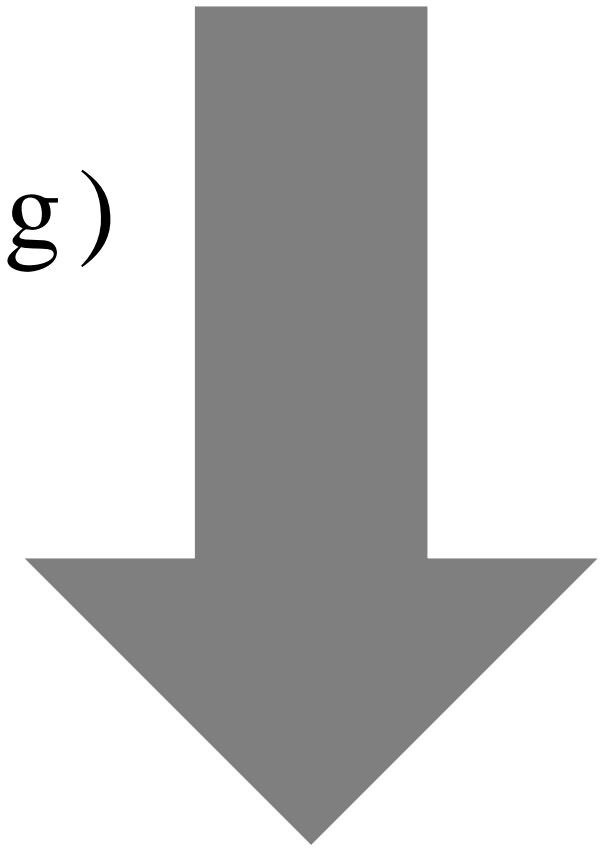
# What is recapture?

- A method of equalizing varying degrees of property wealth among Texas school districts
- Taking from the rich
- But not necessarily giving to the poor



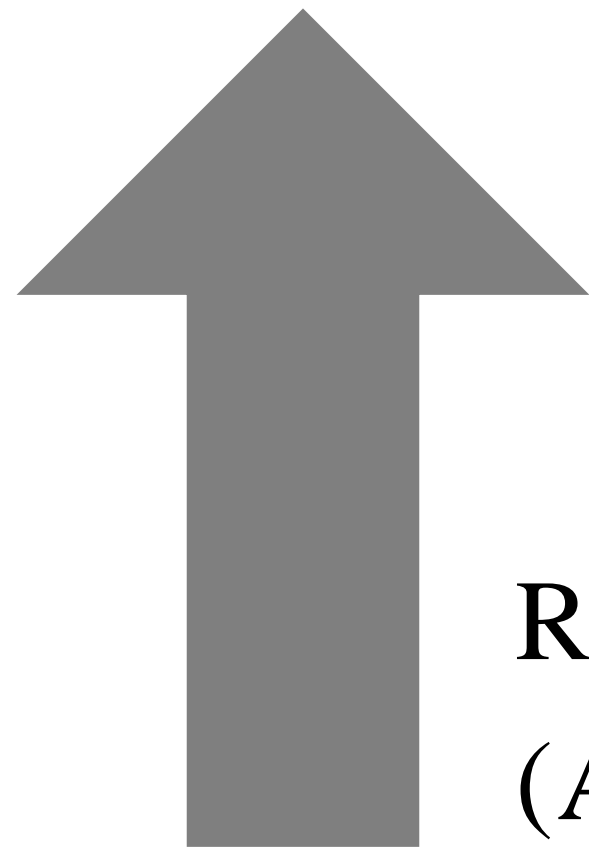
Higher wealth districts

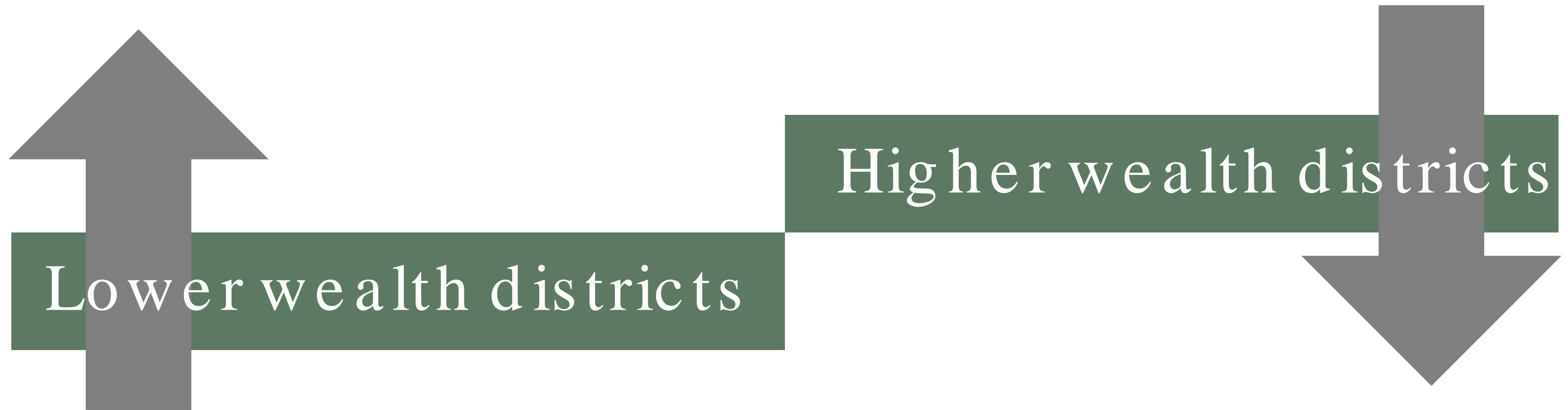
Insert a ceiling  
(Reduce local funding)



Raise the floor  
(Additional state funding)

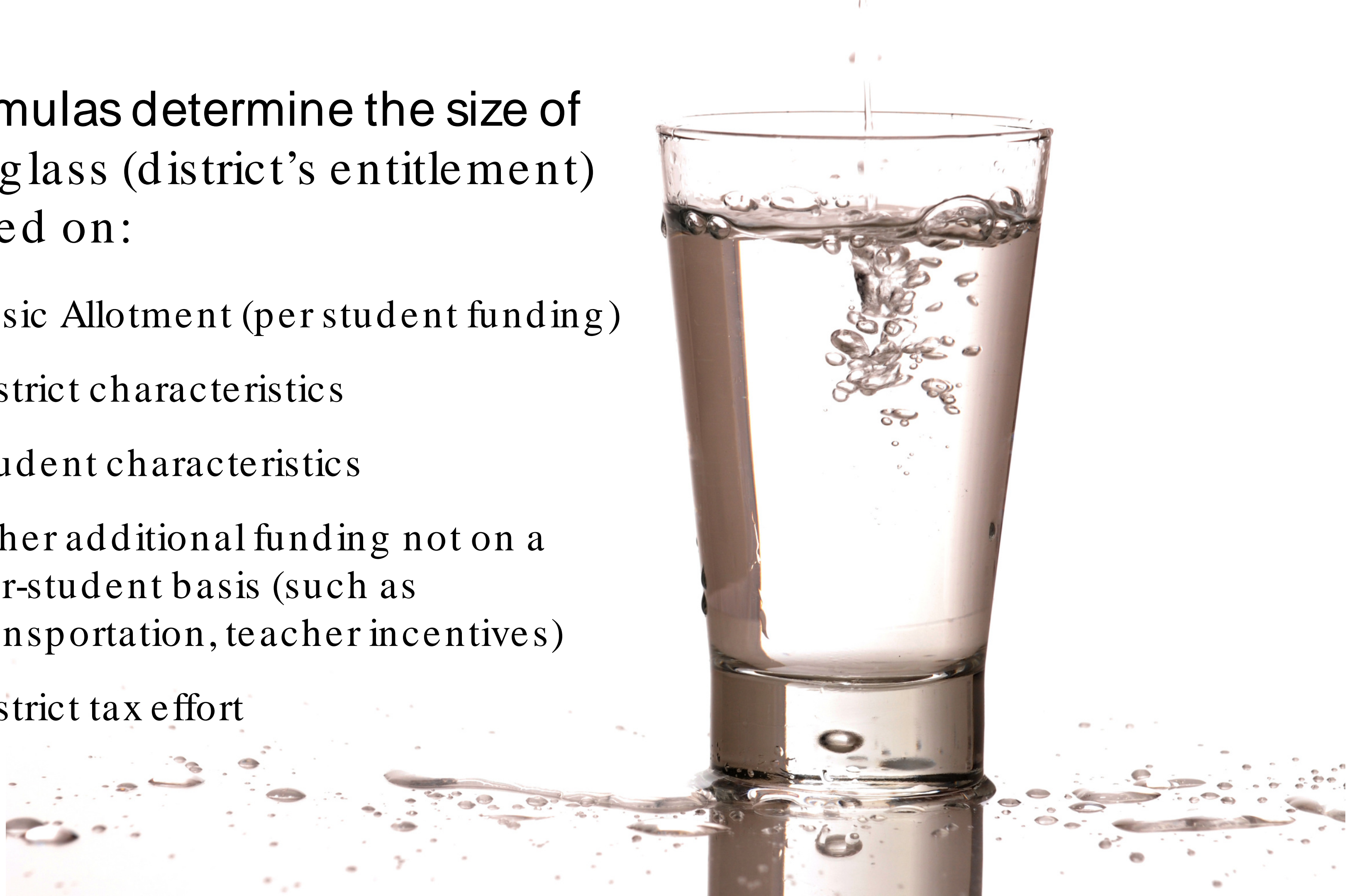
Lower wealth districts





Formulas determine the size of the glass (district's entitlement) based on:

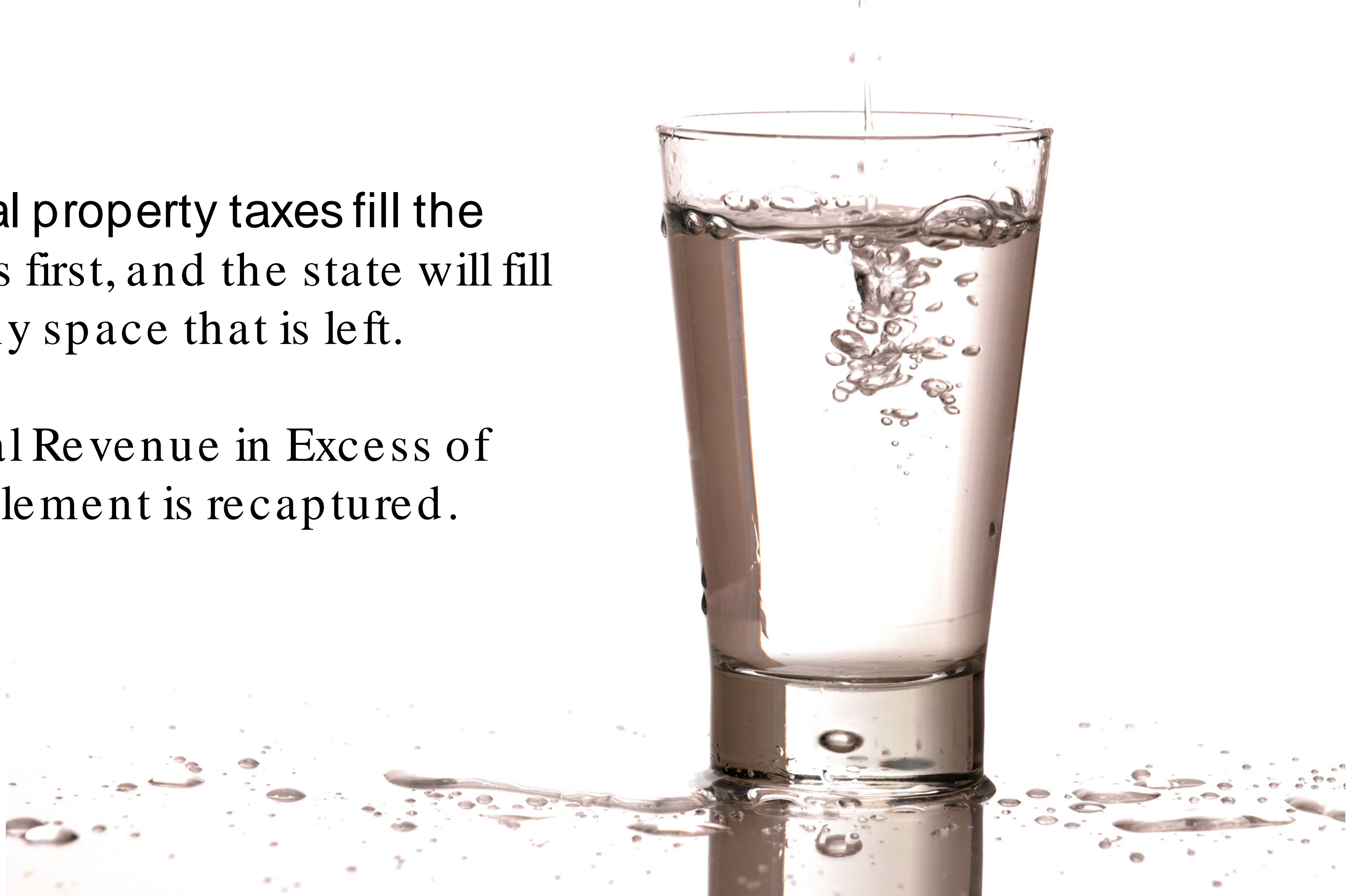
- Basic Allotment (per student funding)
- District characteristics
- Student characteristics
- Other additional funding not on a per-student basis (such as transportation, teacher incentives)
- District tax effort



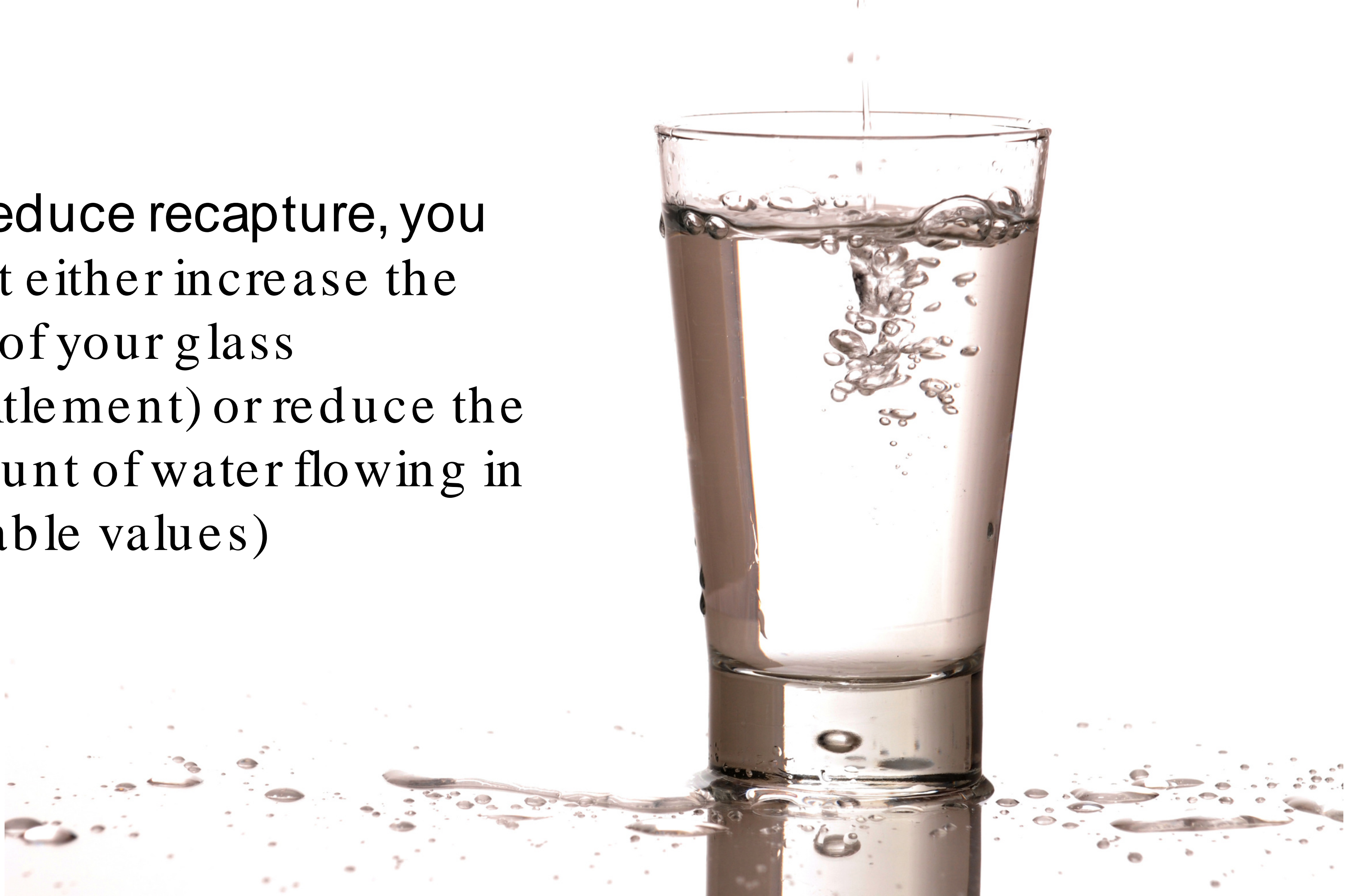


Local property taxes fill the glass first, and the state will fill in any space that is left.

Local Revenue in Excess of Entitlement is recaptured.



To reduce recapture, you must either increase the size of your glass (entitlement) or reduce the amount of water flowing in (taxable values)





# If a district reduces its tax rate, it reduces recapture

## COMMON MISPERCEPTIONS



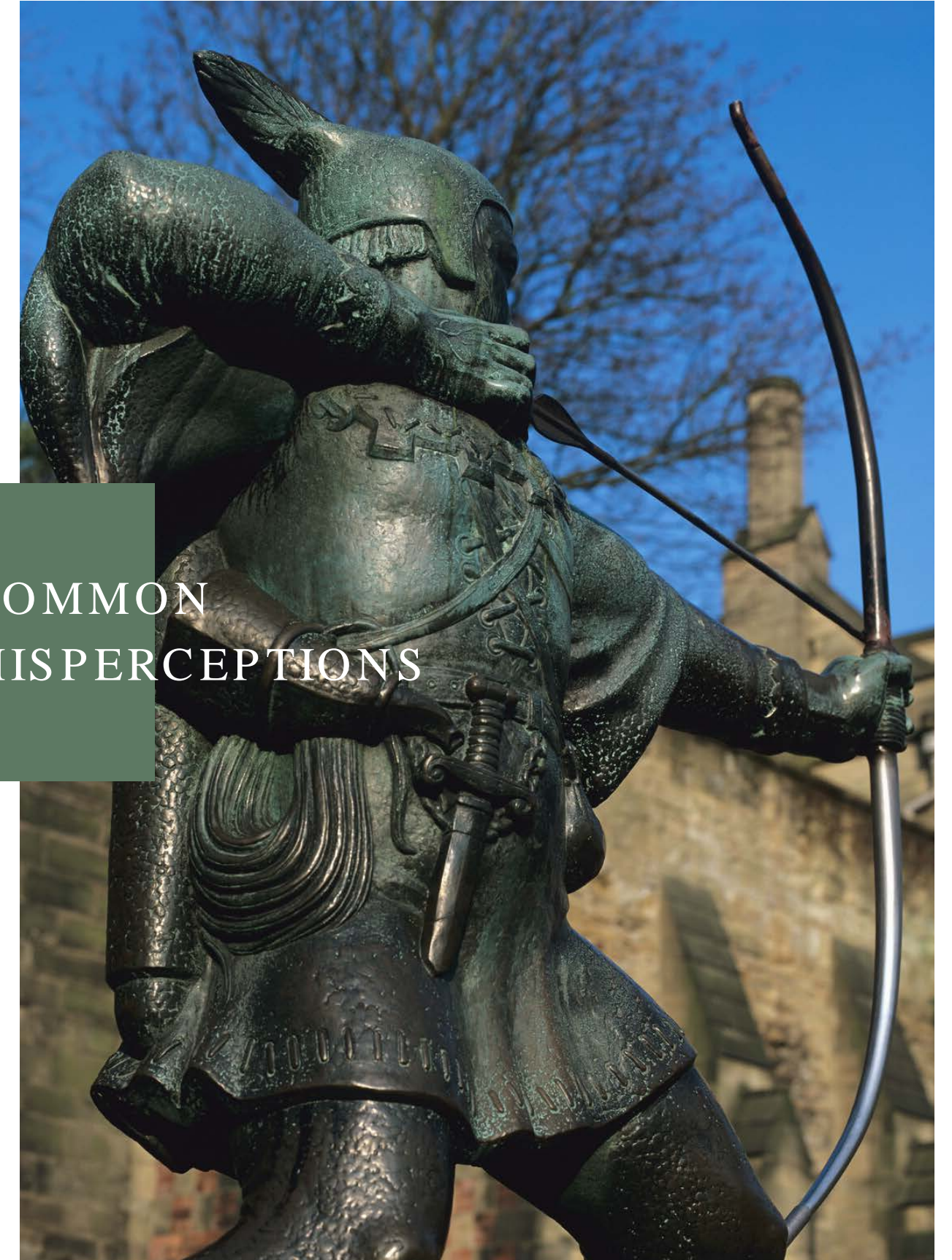
Not necessarily. Recapture is revenue in excess of entitlement.



Reducing tax rate reduces entitlement, so the district has less with which to educate students.



Taxpayers may pay less, but district could still pay the same in recapture.





Paying less recapture means the district would have more \$ with which to serve students

## COMMON MISPERCEPTIONS



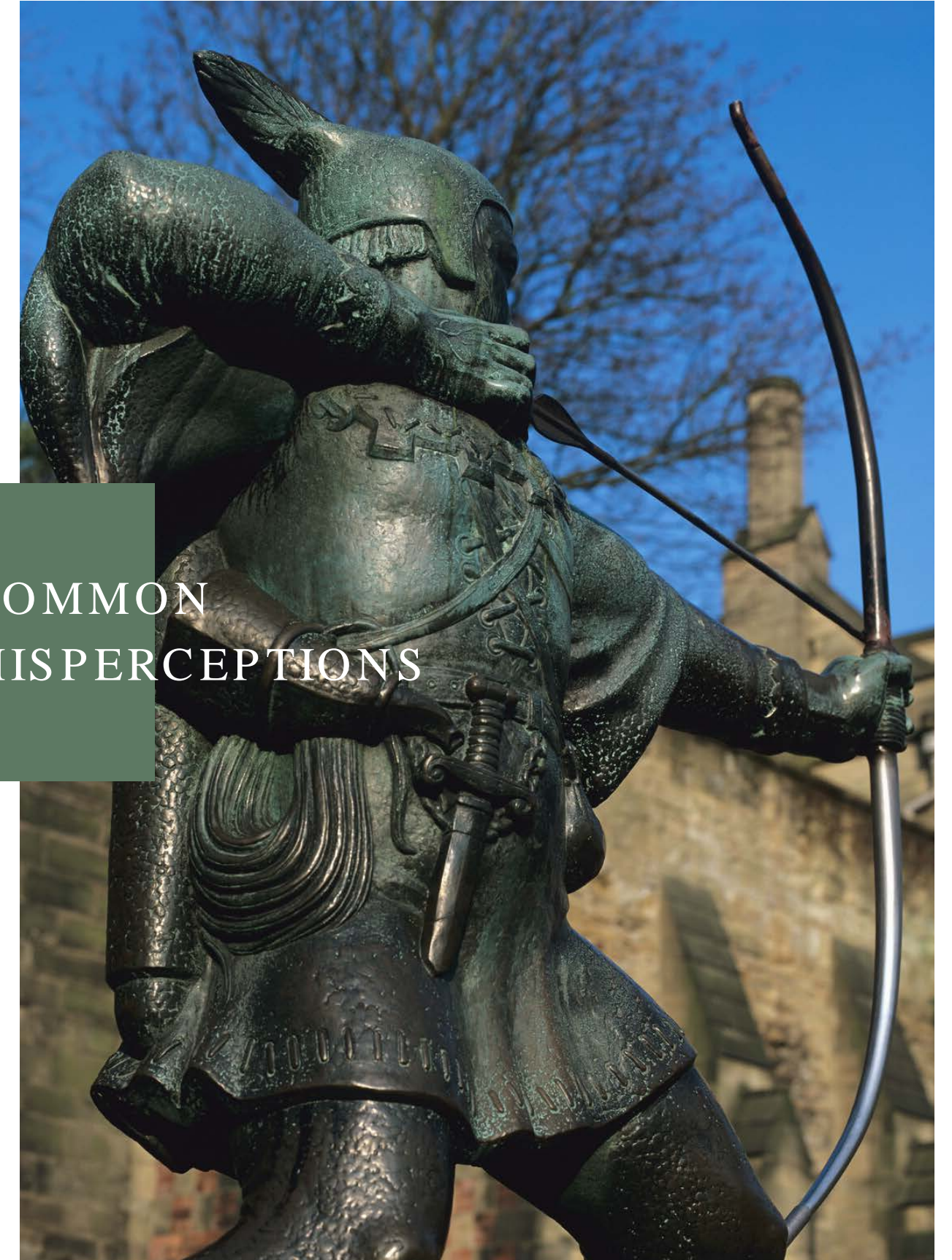
Possibly, depending how recapture was reduced.



If just because taxpayers pay less, schools have less money to use to serve students.



If reduction is due increased state funding, that allows more local dollars to stay local.





# Districts that pay recapture can afford it, as their students have many advantages



There is a difference in property wealth and personal wealth.

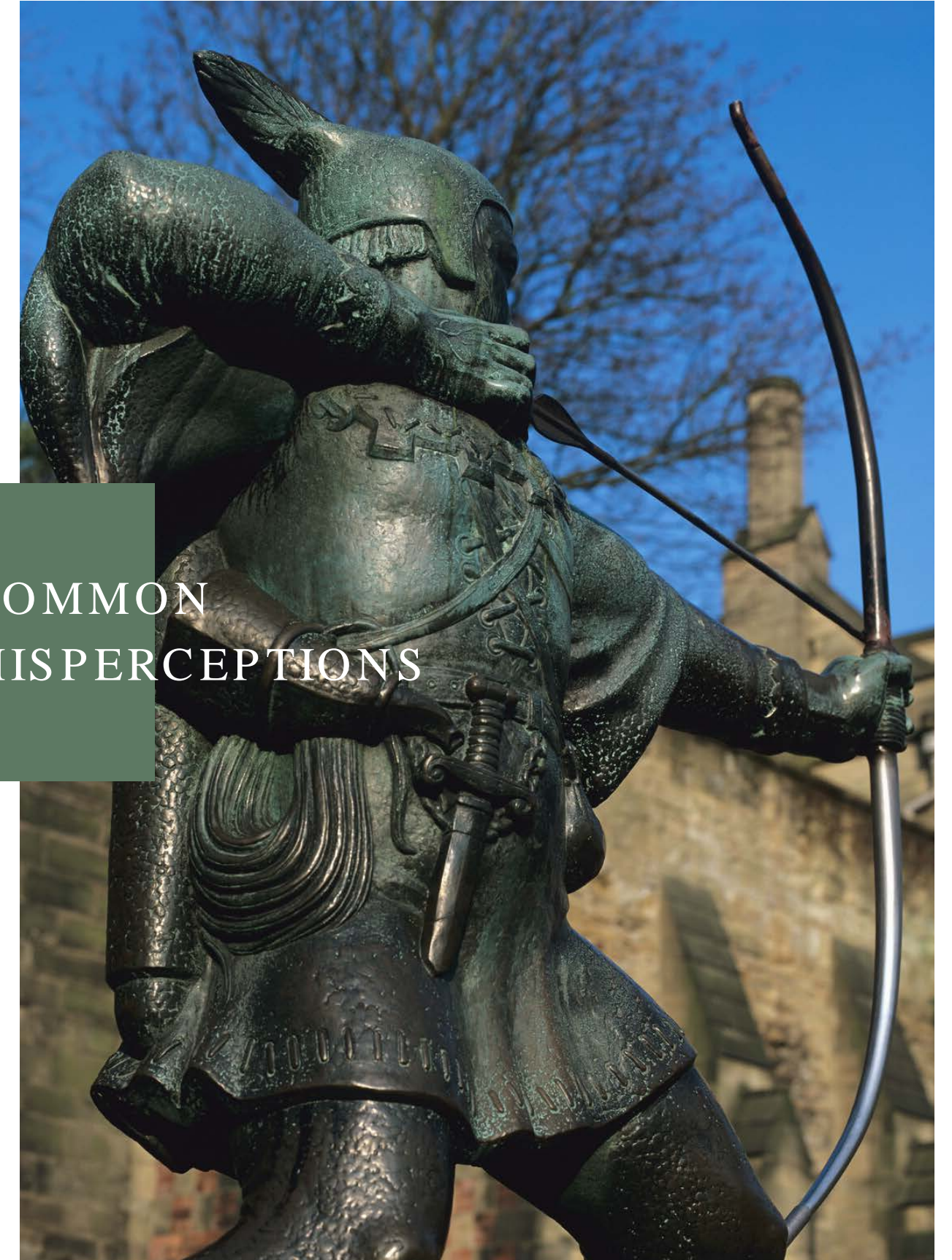


Many recapture districts serve a majority of students from severe poverty.



Formulas should adjust, but many recapture districts struggle to meet student needs.

COMMON  
MISPERCEPTIONS





# Recaptured funds benefit schools in need with low wealth levels.



Recapture benefits the state, not other school districts.

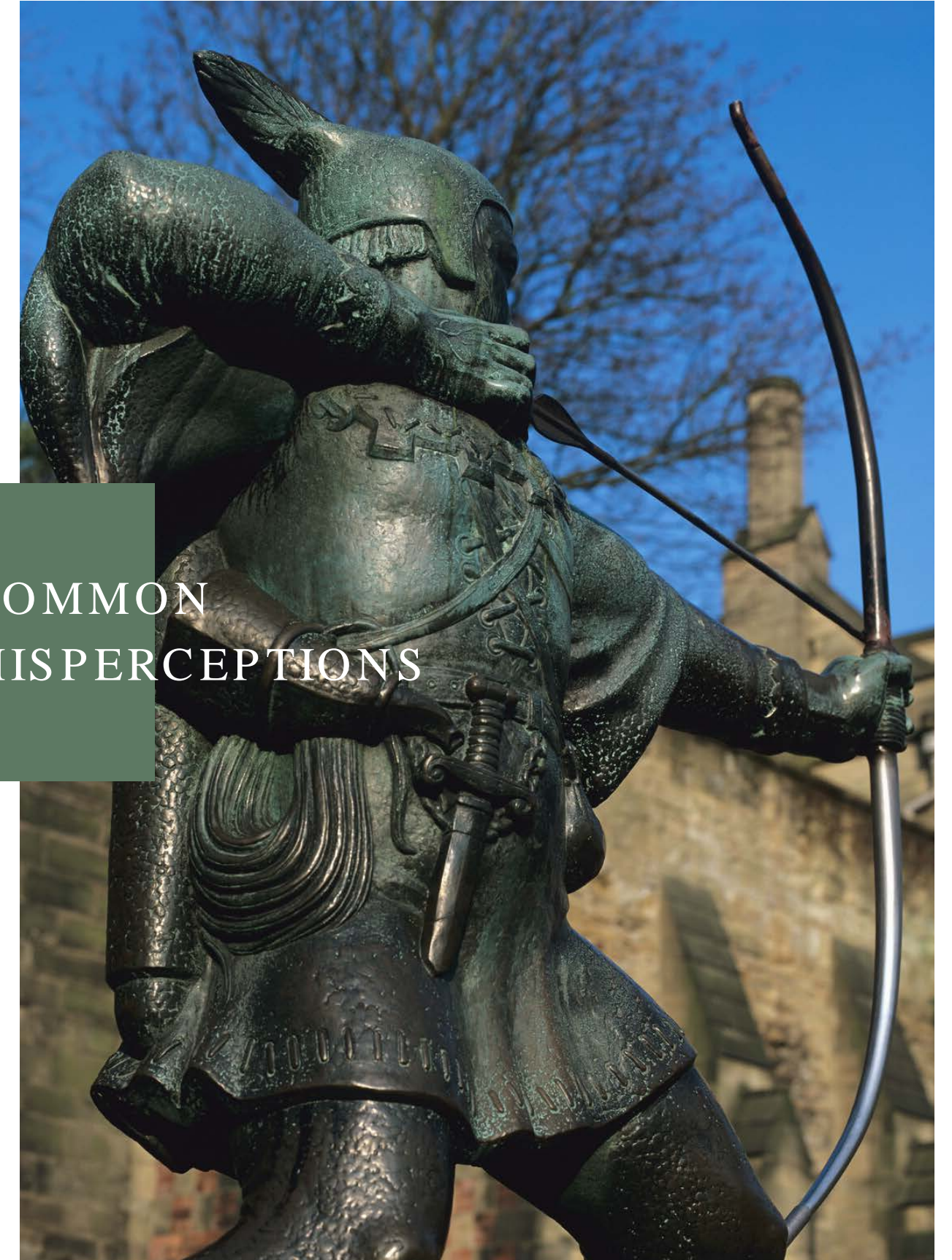


Formulas determine entitlement; growth of recapture doesn't change that.



Funding levels are the same, so it's simply a matter of the source of funding--who pays.

COMMON  
MISPERCEPTIONS





# The Texas Legislature reduced recapture in 2019 with HB 3

## COMMON MISPERCEPTIONS



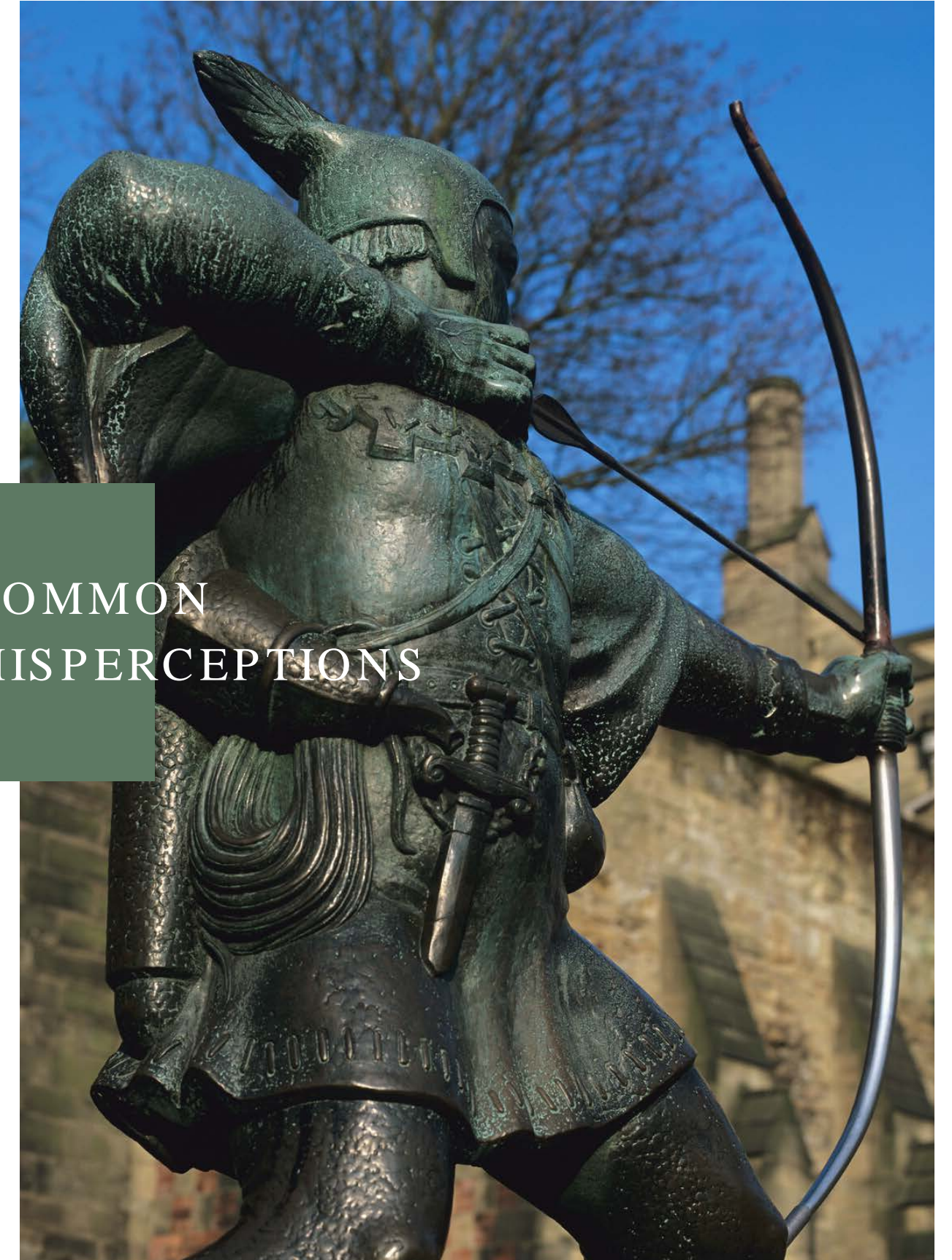
Sort of, but not really.



HB 3 reduced recapture compared to what it could have been absent change.



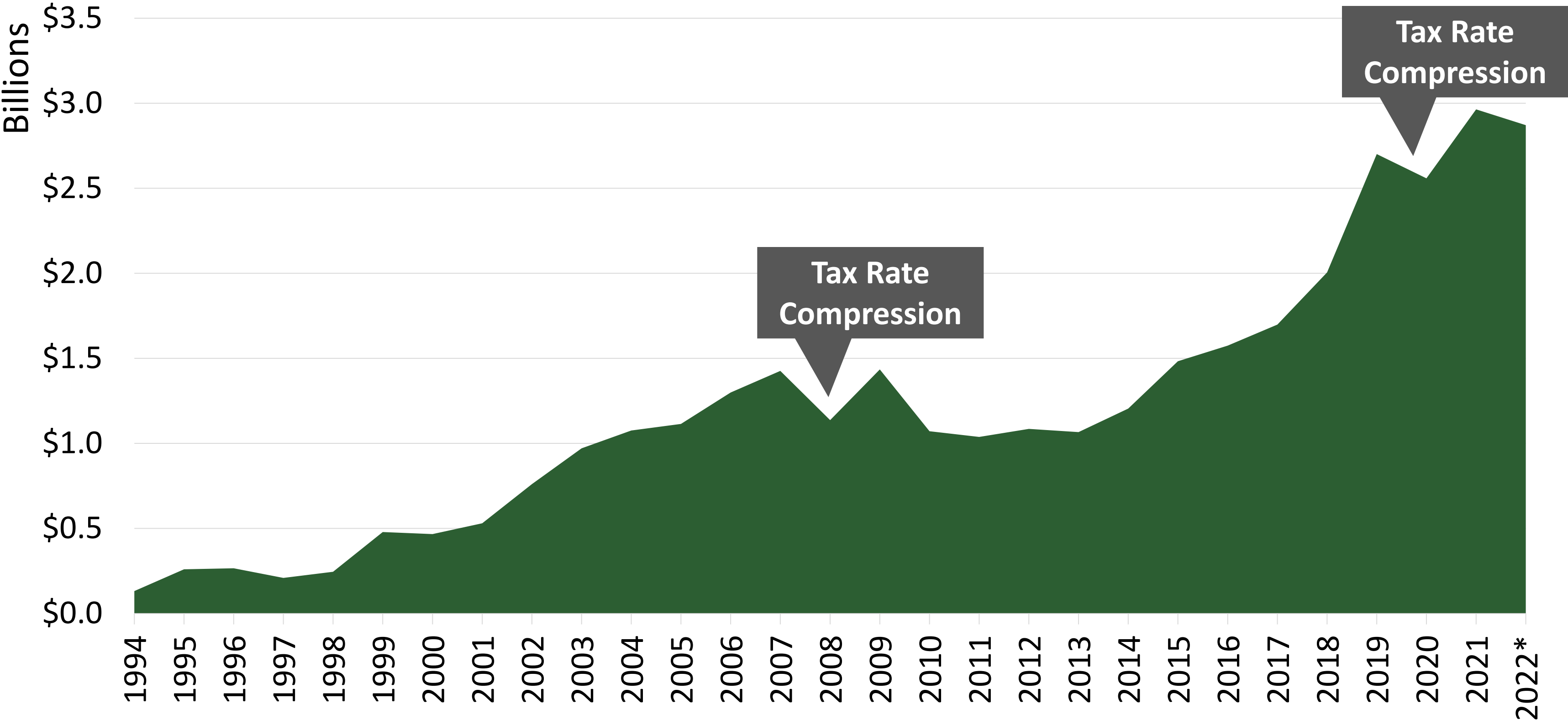
HB 3 provided a slight one-year reduction, but now recapture is back above pre-HB 3 levels.





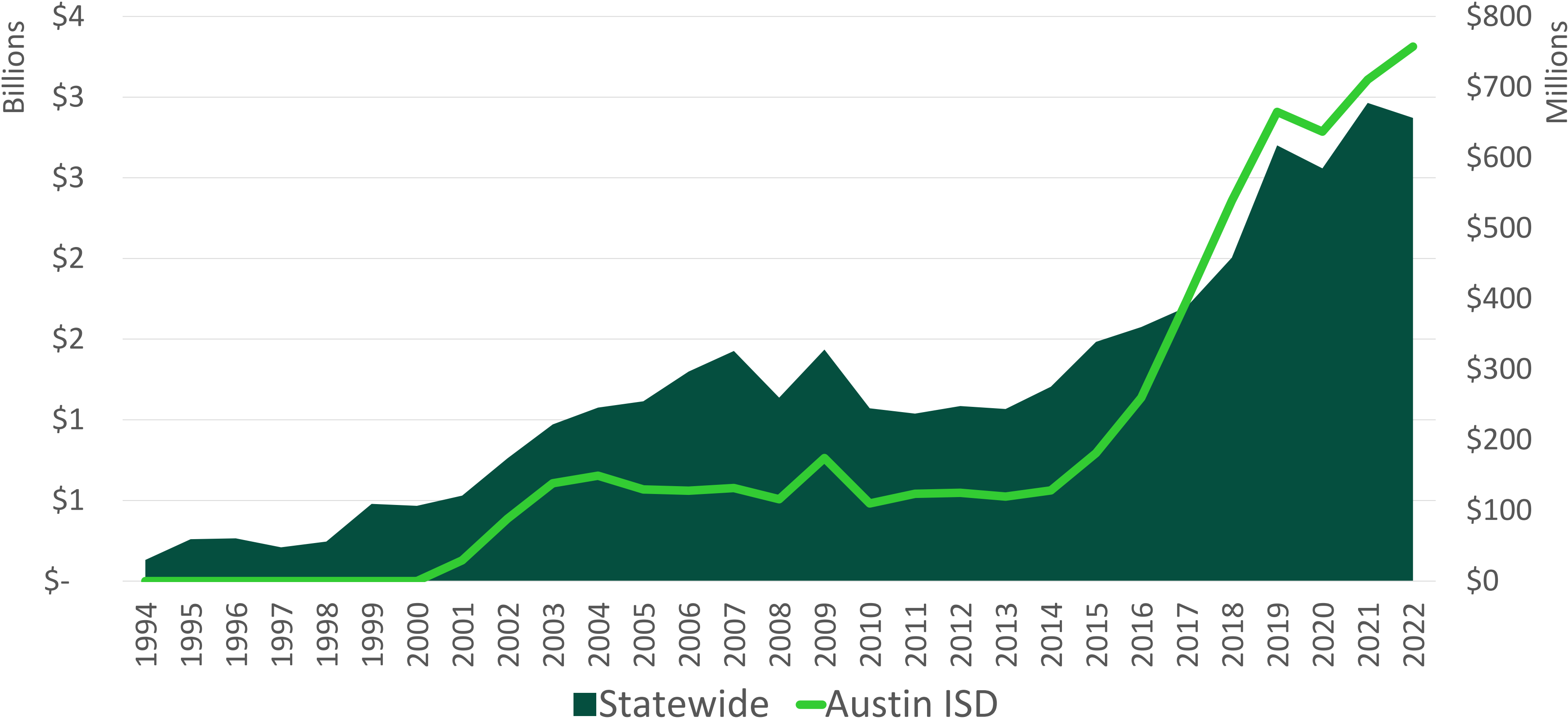


# Statewide Recapture 1994-2022





# Austin ISD compared to Statewide Recapture 1994-2022





# How do we fix it?

IF IT WAS EASY, IT WOULD  
ALREADY BE DONE.

POSSIBLE  
SOLUTIONS





# Past Attempts

## RECAPTURE REPEAL

2003: removal of “Chapter 41” from law, effective if something else was adopted in its place...it wasn't.

## TAX RATE COMPRESSION

2006: 50 cent tax rate compression kept recapture under control...for a while. 2019's HB 3 offered a similar solution with continued incremental compression over time.

## TAXPARENCY

2017: attempt to have percent of taxes paid that remain with district vs. percent recaptured. Failed to pass as this isn't info legislators want taxpayers to know.





## CHANGES ARE VERY EXPENSIVE

Recapture is a \$3 billion source of revenue that is not easily replaced.

# CHALLENGES



## IT'S HARD TO MOVE THE NEEDLE

Because property values continue to increase, it is difficult to feel the impact of the reforms.



## RECPTURE DISTRICTS ARE IN THE MINORITY

Legislators represent fewer districts that pay recapture than those that do.





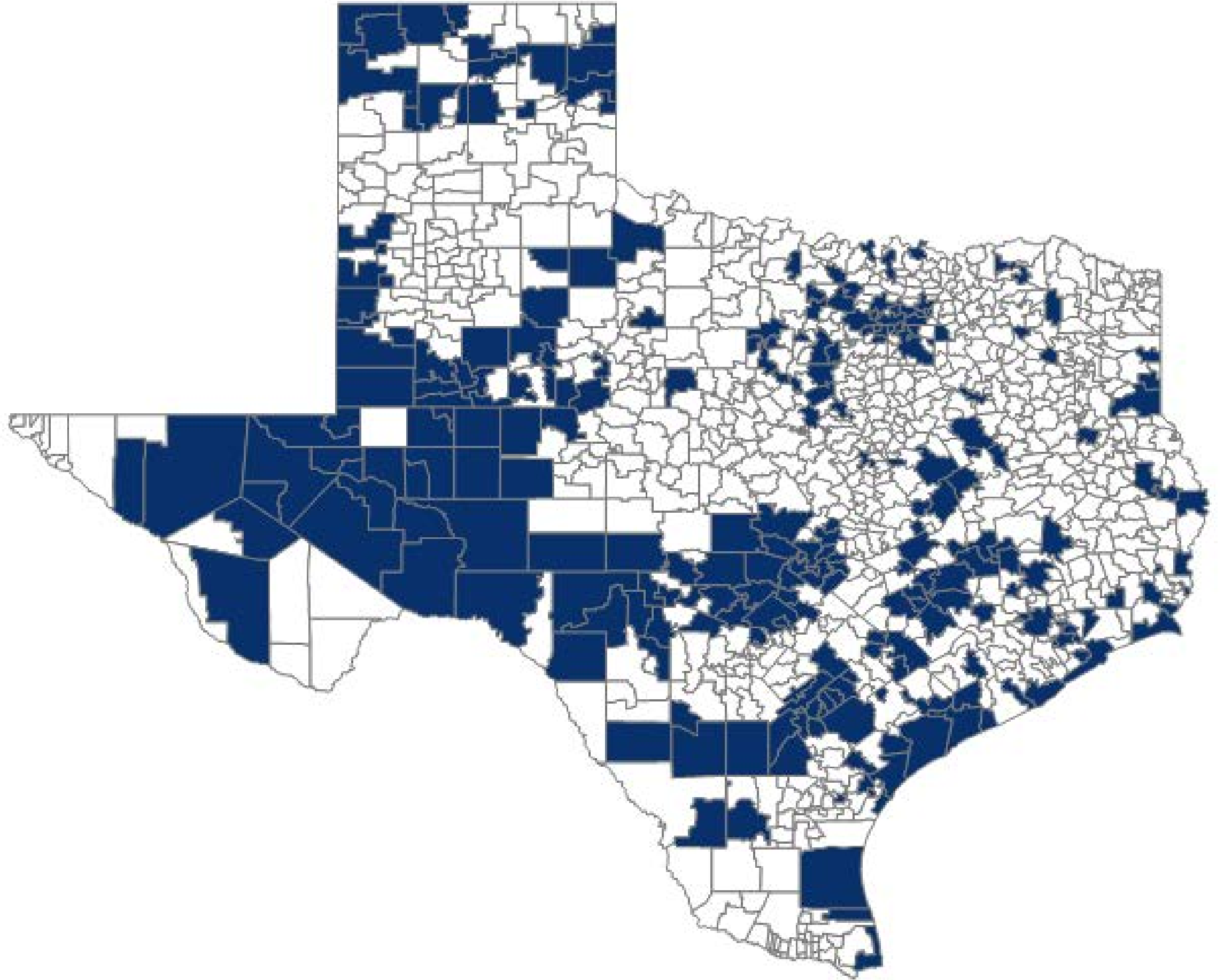
# The Appropriations Shell Game

In 2021, supplemental appropriations reduced spending for Foundation School Program by \$5.2 billion for FY20 and 21. \$1.4 billion of that was due to higher than expected recapture.

Every two years, legislators underestimate the total amount that districts will pay in recapture. Then, when districts pay more than projected, legislators use those recapture dollars to replace other state funding that would have gone to schools.



Recapture  
districts can  
be found in  
nearly every  
region of the  
state.



# Possible Allies

Top Ten Districts Paying the Most Recapture

	School District	Recapture
1	Austin ISD	\$710,562,159
2	Houston ISD	\$197,809,821
3	Plano ISD	\$191,901,273
4	Midland ISD	\$154,436,561
5	Highland Park ISD	\$104,751,098
6	Eanes ISD	\$101,813,483
7	Pecos-Barstow-Toyah ISD	\$99,468,683
8	Wink-Loving ISD	\$87,060,824
9	Dallas ISD	\$85,035,728
10	Spring Branch ISD	\$61,373,474

Source: TEA Near Final Data, 2020-2021

Top Ten Districts Paying the Most Recapture  
as Percent of Total M&O Tax Collections

School District	Recapture	% of collections
Sands CISD	\$10,980,375	99.6%
Glasscock County ISD	\$36,087,261	86%
Rankin ISD	\$45,577,034	84%
McMullen County ISD	\$25,320,913	83%
Grady ISD	\$34,440,456	83%
Wink-Loving ISD	\$87,060,824	82%
Westhoff SD	\$6,104,344	82%
Kenedy County Wide CSD	\$6,995,670	80%
Pecos-Bartow-Toyah ISD	\$99,468,683	78%
Port Aransas ISD	\$18,601,544	75%
Austin ISD	\$710,562,159	51%





# Possible Solutions

## **COST OF EDUCATION ADJUSTMENT**

The cost of education is greater along the coast, yet formulas don't account for that when calculating entitlement.

## **STOP THE SHELL GAME**

Ensure that money paid in recapture benefits schools, rather than just generating a state savings.

## **INCREASE TRANSPARENCY FOR TAXPAYERS**

At the very least, ensure taxpayers know where their dollars are going.

