Recapture of Local Property Wealth

Fredericksburg ISD (FISD) has a long history of doing more with less and maximizing funds. Our district has been praised for its fiscal responsibility and prudent management of tax dollars. But no matter how skilled we are at managing money, new requirements and standards, increasing property valuations combined with a stagnant student population, make it more difficult to meet these increasing demands with the funds we have available to us.

Like every school district in Texas, FISD must address issues such as changing student needs, a more rigorous accountability system, the federal Every Student Succeeds initiative, a growing special needs student population, rising operating costs, and since 2004/05, Chapter 41 Recapture payments to TEA or other school districts. All of these examples require more personnel to meet the needs; thus, more funding is required. We struggle to maintain competitive salaries and affordable insurance benefits for our employees so that we can recruit and keep quality teachers for our students. In Fredericksburg, we have higher fixed costs per student such as tax appraisal and collection, utilities, gas, maintenance and other such expenditures, and we do not benefit from economies of scale.

Following are some commonly asked questions about Public Education Finance and the Robin Hood Plan:

What is the state's role in providing for the public schools?
The Texas Constitution requires the state to provide public education. Article VII, Section 1 of the document reads, "It shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools."

Where does the money to fund public education come from?
Public school funding comes from three main sources: local funds, state funds and federal funds. Local funds, primarily local property tax revenues, now make up the largest portion.
State funds come from a variety of sources, but over the last several decades, the percentage of school funding coming from the state has steadily declined. Federal funds represent the smallest portion of the three major revenue sources for the state's public schools. Most federal funds are earmarked for specific programs or to provide services to a specific group of students (e.g., low income, special education).

How is wealth distributed across the state?
The Robin Hood plan, also known as "recapture," requires high-wealth districts to send a portion of the tax dollars they raise back to the Texas Education Agency (TEA) so that it can be redistributed to low-wealth districts that are unable to raise as much money through property taxes. This is the idea behind the term "equity."

How does Robin Hood affect FISD?
For 2018/19, FISD receives $1.14 for every $100 of taxable property value within its boundaries. A penny equals about $378,000 of gross revenue to FISD. The Maintenance & Operations tax rate is $1.04 and the Debt Service is .1062 cents. However, for 18/19, we must send 37.5 cents of every local Maintenance & Operations tax dollar away to TEA to share with other Texas school districts. The 18/19 recapture payment is approximately $13.2 million.

Why can't we just spend more money on what we need and not send the money away? While very complicated, the Robin Hood formula boils down to wealth per average daily attendance. It does not matter how much the district spends, just the tax revenues and the students attending FISD schools.

Why don't we just lower the property values and then the wealth per student will be lower? The Local appraisal district must appraise properties based on market value. The Texas State Comptroller's office audits the values annually. If the local appraisal district does not value within a certain range of the state's calculations, the state will presume the state's values are accurate and will use their values instead of the local appraisal values. Robin Hood payments will still be due to TEA based on those calculations, yet taxes will not be collected to support those required payments.
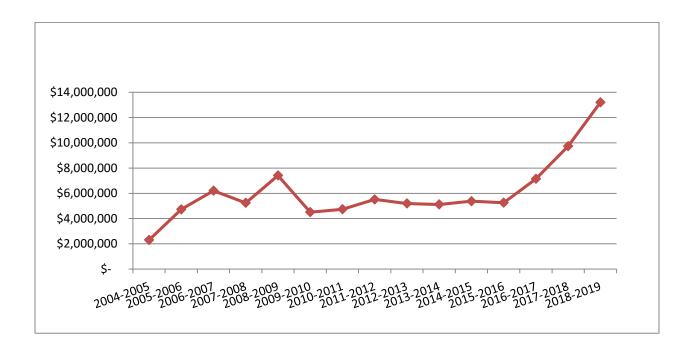
Why don't we just lower the property tax rate? The State of Texas presumes and calculates the school districts funding based on the state expected tax rate and maintenance of effort. If we collect at a lower rate, it is presumed we collected at the higher M&O rate and therefore will be eligible for less overall funding.

Why sell bonds and pay for certain costs from the Debt Service Fund rather than the General Fund? The General Fund sends the % back to the state. The Debt Service Fund is allowed to keep 100% of the tax revenues. This allows us an additional 37.5% to be retained locally. For example, if we pay for a debt service eligible item from the debt service funds, we have 100% of each dollar to spend on that item. If we pay for it from the General Fund, we only have 62.5% of each dollar to spend on that item.

General Fund Chapter 41 Recapture Payment History

Year	Recapture/Ch 41 Payment	Tax Base % sent to the State of Texas	Enrollment	Weighted Average Daily Attendance (WADA)	Additional WADA needed to keep all funds	Amount paid to the state per WADA needed
2004-05	$2,302,451	12.96	2,875	3,361	501	$4,596
2005-06	$4,728,723	22.28	2,841	3,326	991	$4,772
2006-07	$6,205,368	28.68	2,796	3,293	1,431	$4,336
2007-08	$5,241,819	27.58	2,804	3,332	1,269	$4,131
2008-09	$7,409,328	35.86	2,801	3,344	1,889	$3,922
2009-10	$4,511,341	20.90	2,930	3,691	893	$5,052
2010-11	$4,733,795	21.39	2,950	3,761	1,049	$4,513
2011-12	$5,516,456	25.38	2,919	3,573	1,180	$4,675
2012-13	$5,194,220	24.27	2,971	3,747	1,153	$4,505
2013-14	$5,116,086	21.50	2,934	3,799	1,041	$4,915
2014-15	$5,374,882	21.11	2,993	3,906	1,034	$5,132
2015-16	$5,258,645	18.66	3,129	4,028	924	$5,162
2016-17	$7,145,951	25.47	3,216	4,004	1,368	$5,210
2017-18	$9,738,005	30.92	3,187	3,983	1,782	$5,720
2018-19	Est $13,200,000	37.51	3,115	4,065	2,440	$5,457
Totals	**$91,677,070**					