

Fixing Texas Education & Property Taxes

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How Much Money Tax Revenue Is Available?

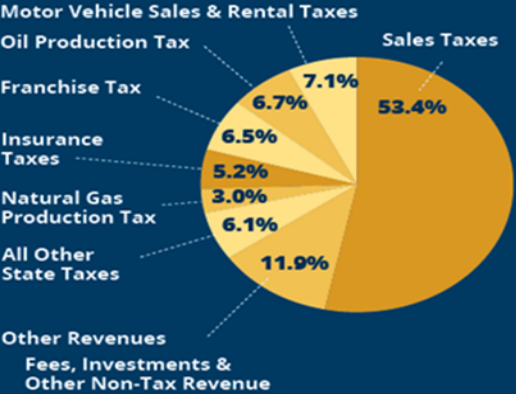
\$24 Billion Surplus!

January 2025

BIENNIAL REVENUE ESTIMATE

The Texas Comptroller issues the Biennial Revenue Estimate before every regular legislative session, projecting the revenue that lawmakers have available for state programs and services through the upcoming biennium. The 89th Legislature will have a projected fiscal 2024-25 ending balance of \$23.76 billion, in addition to \$170.83 billion in total collections of available general revenue-related (GR-R) funds (net of transfers) in the 2026-27 biennium.

State Revenue, General Revenue-Related



Revenue Available for General-Purpose Spending

PROJECTED
In Billions of Dollars

	2024-25	2026-27 BIENNium	
GR-R Tax Collections	+	\$143.36	\$155.42
Other GR-R Revenue	+	\$24.03	\$21.01
TOTAL GR-R REVENUE	=	\$167.38	\$176.43 SUBTOTAL
Beginning Balance	+	\$39.43	\$23.76
TOTAL GR-R REVENUE & FUND BALANCES	=	\$206.81	\$200.19 SUBTOTAL
Reserve for Transfers to the Economic Stabilization and State Highway Funds	-	\$10.38	\$11.19
Reduction of Reserve for Transfers of Severance Taxes to the Economic Stabilization Fund	+	\$0.31	\$5.60
TOTAL REVENUE AVAILABLE FOR GENERAL-PURPOSE SPENDING	=	\$196.73	\$194.60 TOTAL

Totals may not sum because of rounding.

Rainy Day Fund? \$28 Billion!

January 2025 BIENNIAL REVENUE ESTIMATE

ECONOMIC STABILIZATION FUND LONG-TERM FORECAST

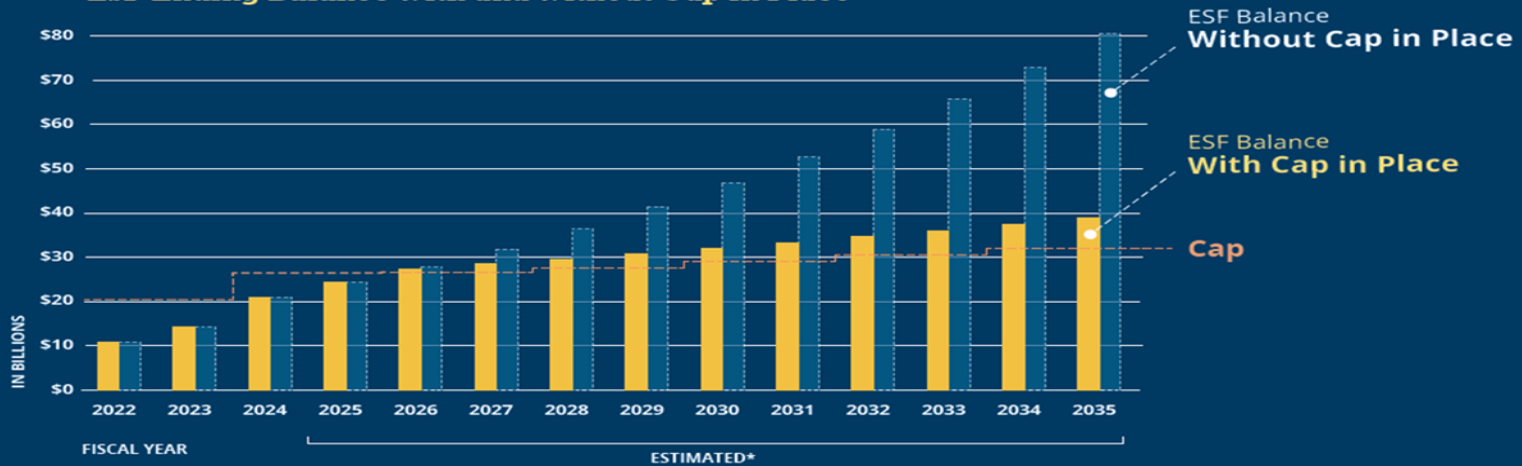
The Rainy Day Fund likely will continue hitting the cap in future biennia. This chart shows its projected balance with the cap,

and what the balance would be if the cap were removed. Under current law, after the ESF balance hits its cap, the fund's

share of severance taxes and interest income on the ESF cash balance remain in the General Revenue Fund. Under the

second scenario, the ESF would continue to receive severance taxes and interest on its balance.

ESF Ending Balance With and Without Cap in Place



* Amounts are estimated in 2026-27 Biennial Revenue Estimate

Glenn Hegar

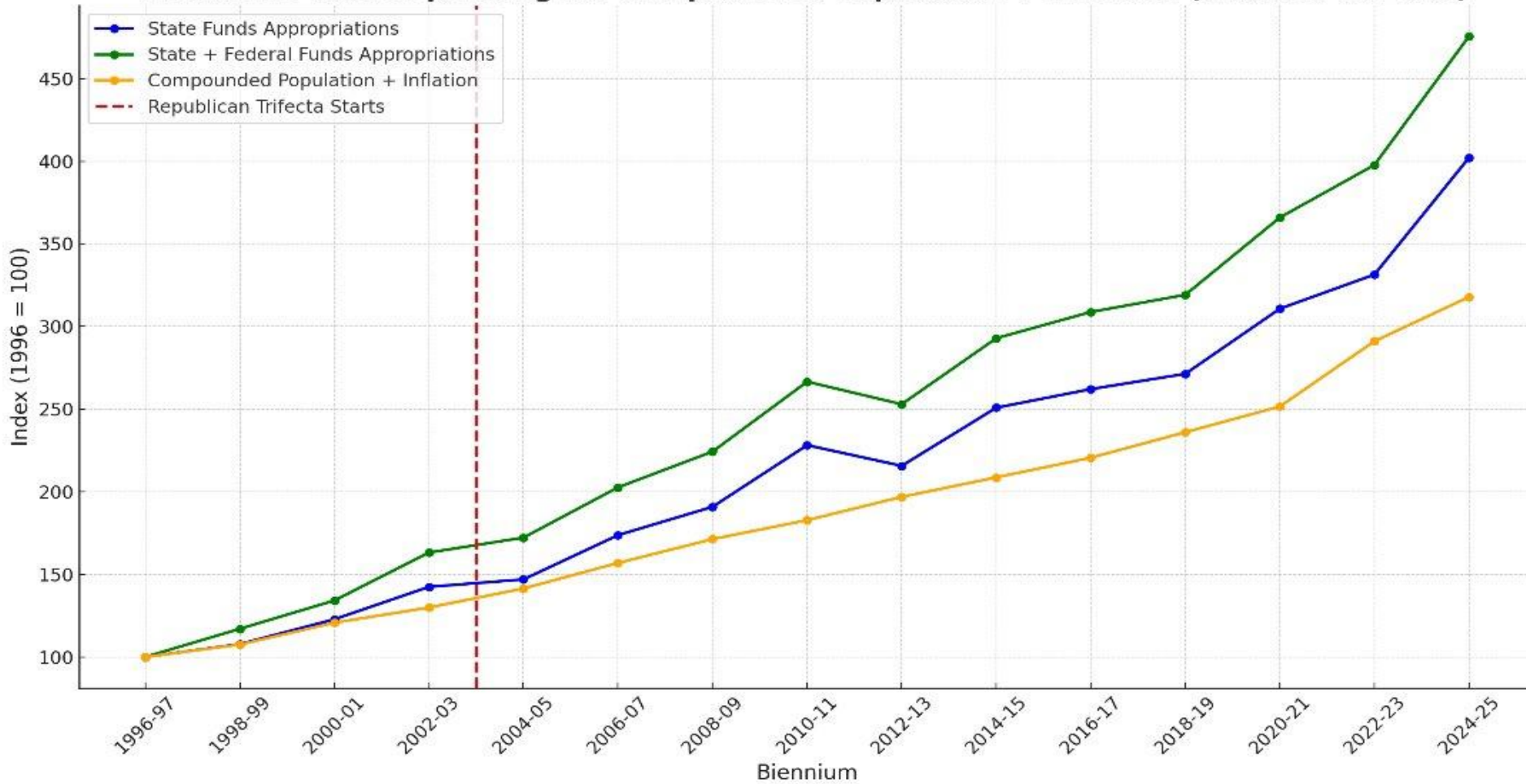
Texas Comptroller of Public Accounts

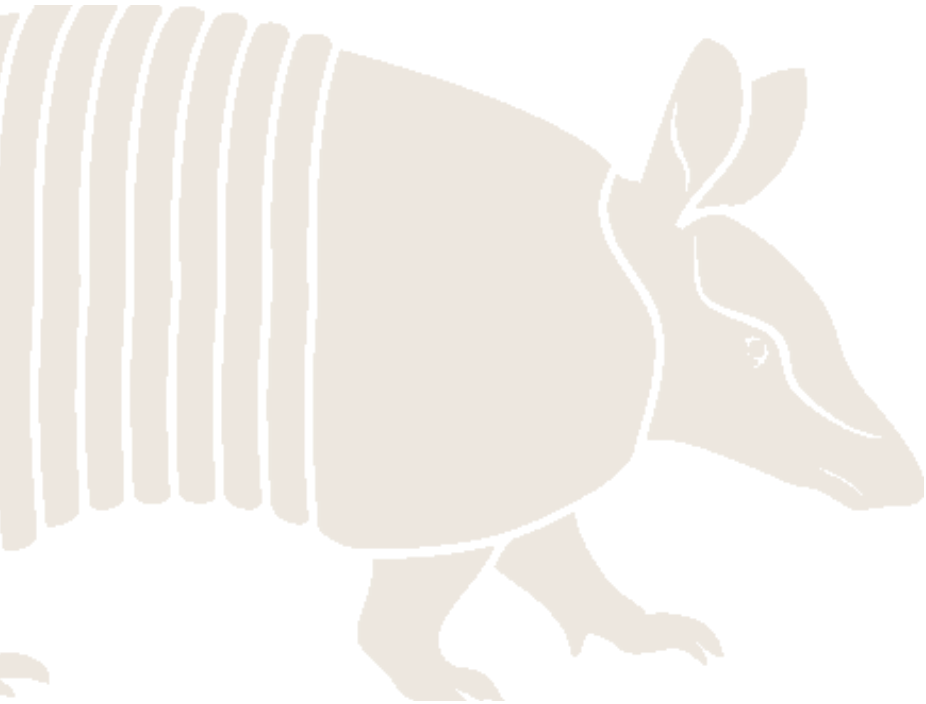
Texas Spends Too Much Taxpayer Money!

Fiscal Years & Budget Legislation	Budget Legislation	State Funds (in Billions)	Federal Funds (in Billions)	Total Appropriations (in Billions)	% Increase in Appropriations From Previous Biennium	Average CPI	% Change for Inflation	State Population (in Millions)	Population +Inflation
1996-97	HB 1 (74R)	\$56.5	\$23.4	\$79.9	-	158.7	-	19,180.8	-
1998-99	HB 1 (75R)	\$61.5	\$24.6	\$86.1	8%	164.8	3.8%	19,878.3	7.5%
2000-01	HB 1 (76R)	\$70.4	\$27.7	\$98.1	14%	174.6	6.0%	21,132.1	12.3%
2002-03	SB 1 (77R)	\$79.0	\$34.8	\$113.8	16%	181.9	4.2%	21,860.6	7.6%
2004-05	HB 1 (78R)	\$78.2	\$39.2	\$117.4	3%	192.1	5.6%	22,586.1	8.9%
2006-07	SB 1 (79R)	\$89.8	\$48.9	\$138.8	18%	204.5	6.4%	23,595.8	10.9%
2008-09	HB 1 (80R)	\$102.6	\$49.9	\$152.5	10%	214.9	5.1%	24,555.4	9.2%
2010-11	SB 1 (81R)	\$116.7	\$65.6	\$182.3	20%	221.5	3.1%	25,443.7	6.7%
2012-13	HB 1 (82R)	\$118.0	\$54.4	\$172.3	-5%	231.3	4.4%	26,281.9	7.7%
2014-15	SB 1 (83R)	\$131.7	\$68.7	\$200.4	16%	236.9	2.4%	27,215.8	6.0%
2016-17	HB 1 (84R)	\$141.4	\$68.0	\$209.4	4%	242.6	2.4%	28,102.5	5.7%
2018-19	SB 1 (85R)	\$144.9	\$71.9	\$216.8	3%	253.4	4.5%	28,805.7	7.0%
2020-21	HB 1 (86R)	\$161.8	\$86.5	\$248.3	15%	264.9	4.6%	29,397.8	6.6%
2022-23	SB 1 (87R)	\$166.3	\$98.5	\$264.8	7%	298.7	12.7%	30,266.6	15.7%
2024-25	HB 1 (88R)	\$219.0	\$102.3	\$321.3	21%	320.0	7.1%	30,900.0	9.2%
Totals	-	\$1,737.8	\$864.4	\$2,602.2	302.1% Increase	Average 101.6%	Average 5.2%	61.1% Increase	Average 8.6%

Texas Government Keeps Growing Under Dems & Reps

Growth in Texas Spending vs. Compounded Population + Inflation (Indexed to 1996)





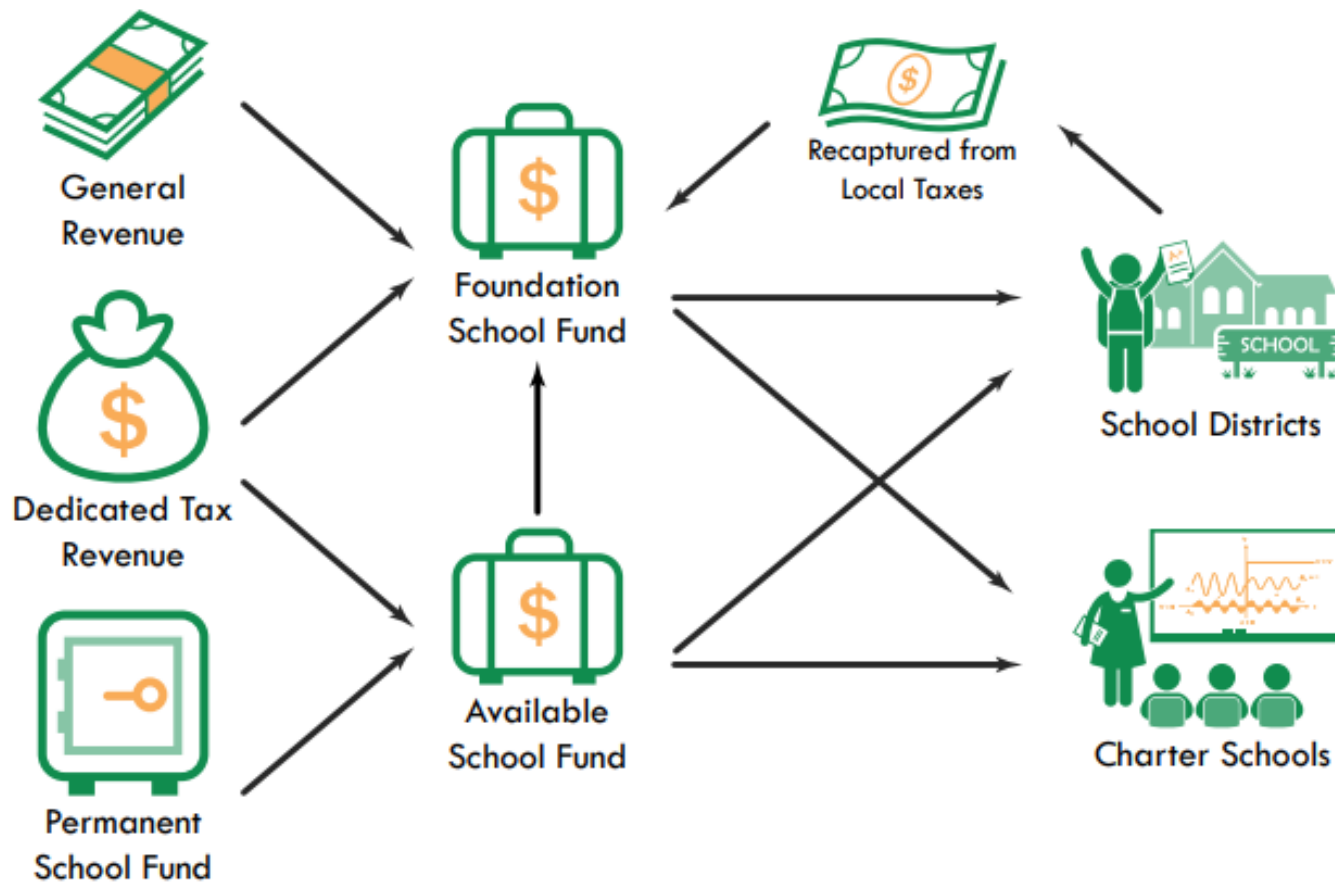
Where to Cut?

Corporate Welfare

Medicaid

Education

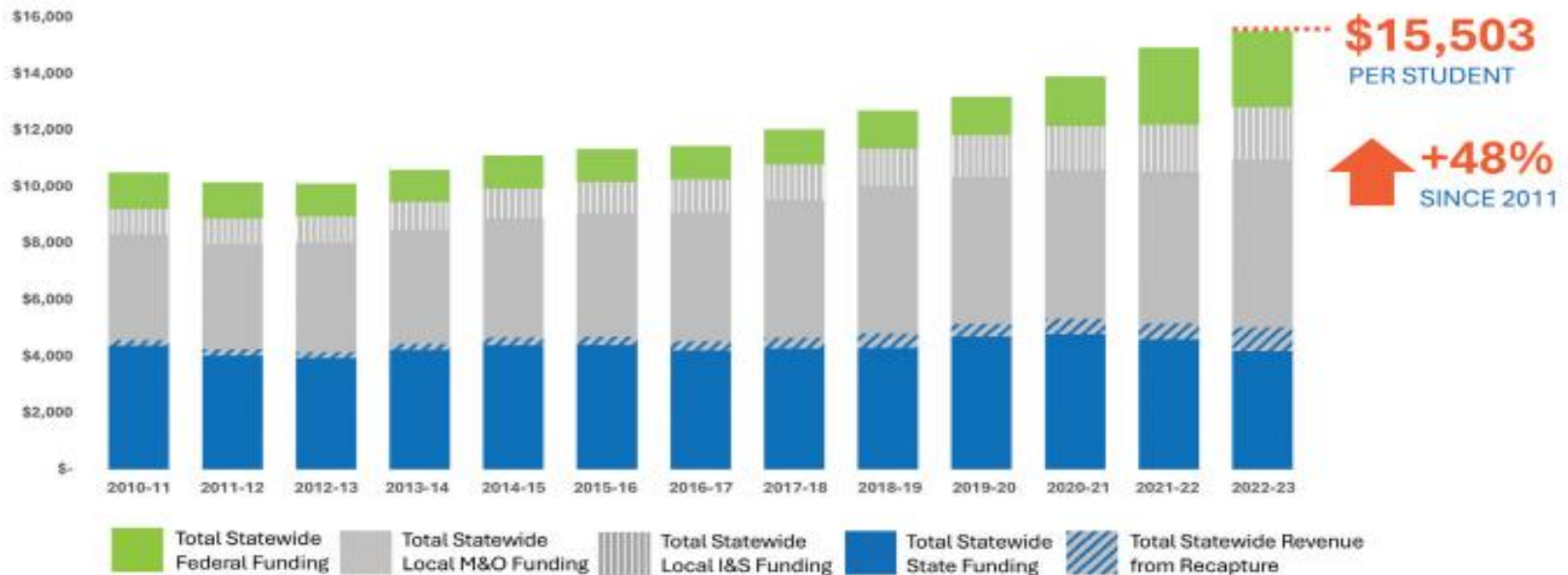
Public Education Funding Flow



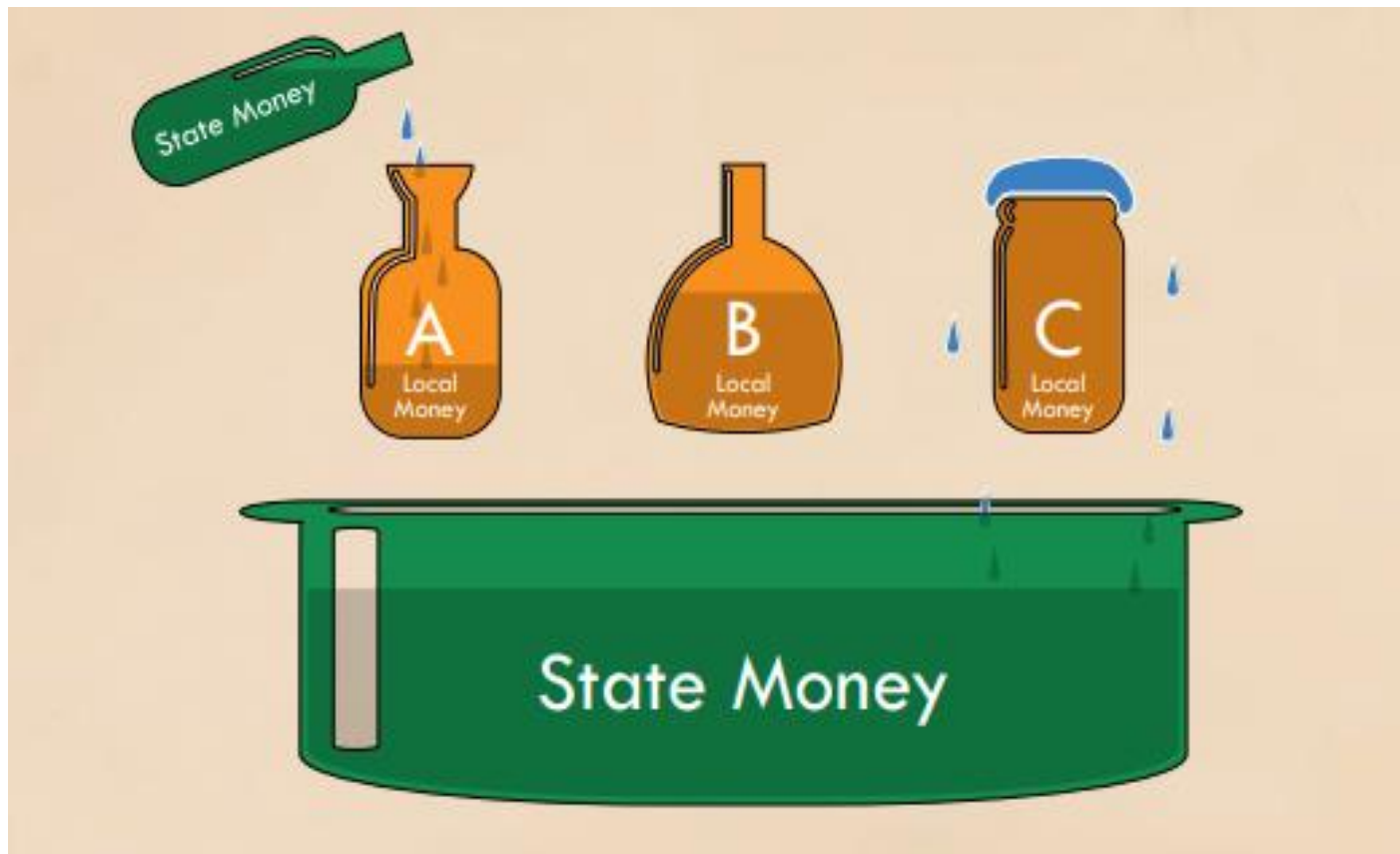
Spending per student up 48% while 8th grade math proficiency down 40%



ANNUAL FUNDING PER STUDENT¹³



Foundation School Program – Recapture Analogy



Overfunding Public Education?

Overall School Funding (The Last Decade)

School Year	Total Public Education Spending	% Increase	Per Student Spending	% Increase
2014-15	\$60,386,702,350	-	\$11,590	-
2015-16	\$64,061,068,212	6.08%	\$12,130	4.66%
2016-17	\$67,475,719,295	5.33%	\$12,634	4.15%
2017-18	\$69,252,688,668	2.63%	\$12,861	1.80%
2018-19	\$70,993,369,584	2.51%	\$13,108	1.92%
2019-20	\$77,019,760,233	8.49%	\$14,058	7.25%
2020-21	\$79,294,505,532	2.95%	\$14,797	5.26%
2021-22	\$84,854,165,916	7.01%	\$15,708	6.16%
2022-23	\$92,414,047,078	8.91%	\$16,792	6.90%
Overall % Change		53.04%		44.88%

Administrative Bloat

Growth of Student Enrollment vs. Teachers vs. Administration & Support Staff

School Year	Total Students	% Increase	Total Teachers (FTE)	% Increase	Total Support Staff	% Increase	Total Administrative Staff	% Increase	Teacher % of Total Staff
2014-15	5,232,065	-	342,257	-	66,076	-	26,800	-	50.74%
2015-16	5,299,728	1.29%	347,328	1.48%	68,699	3.97%	27,627	3.09%	50.37%
2016-17	5,359,127	1.12%	352,808	1.58%	71,342	3.85%	28,214	2.12%	49.95%
2017-18	5,385,012	0.48%	356,909	1.16%	70,570	-1.08%	29,648	5.08%	50.03%
2018-19	5,416,400	0.58%	358,525	0.45%	73,737	4.49%	30,194	1.84%	49.73%
2019-20	5,479,173	1.16%	363,185	1.30%	75,649	2.59%	30,420	0.75%	49.33%
2020-21	5,359,040	-2.19%	369,461	1.73%	79,742	5.41%	31,151	2.40%	49.47%
2021-22	5,402,928	0.82%	369,762	0.08%	83,614	4.86%	30,859	-0.94%	49.08%
2022-23	5,518,432	2.14%	371,802	0.55%	83,889	0.33%	34,912	13.13%	48.58%
Overall % Change		5.47%		8.63%		26.96%		30.27%	

<https://www.texaspolicyresearch.com/school-funding-trends/>

More Expenses Over Time

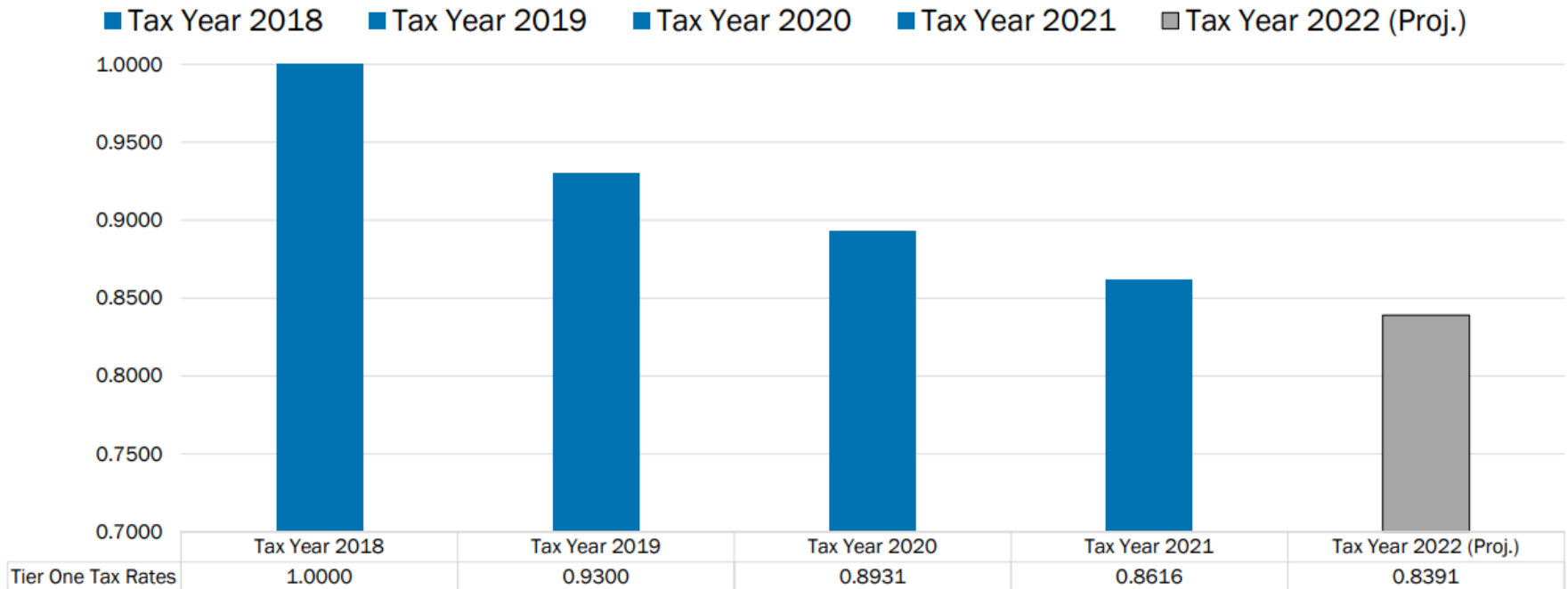
Teaching Staff vs. Administrative Staff Salaries

School Year	Average Teacher Base Pay	% Increase	Average Administrative Staff Base Pay	% Increase
2014-15	\$50,715	-	\$80,214	-
2015-16	\$51,892	2.32%	\$81,905	2.11%
2016-17	\$52,525	1.22%	\$82,946	1.27%
2017-18	\$53,334	1.54%	\$84,456	1.82%
2018-19	\$54,122	1.48%	\$85,664	1.43%
2019-20	\$57,091	5.49%	\$89,629	4.63%
2020-21	\$57,641	0.96%	\$90,731	1.23%
2021-22	\$58,887	2.16%	\$92,806	2.29%
2022-23	\$60,716	3.11%	\$92,683	-0.13%
Overall % Change		19.72%		15.54%

State Compression Since HB 3 in 2019



State Average Rate Compression Under HB 3



Tax Year 2022 tax rates computed as follows (Tier One Tax Rates = Current Law and GAA growth assumptions of 4.36%);

<https://tea.texas.gov/finance-and-grants/state-funding/foundation-school-program/fsp-manuals/texas-public-school-finance-overview-presentation-2022-23.pdf>

The M&O tax rate is then allocated into three portions of the FSP formulas.

Tier One

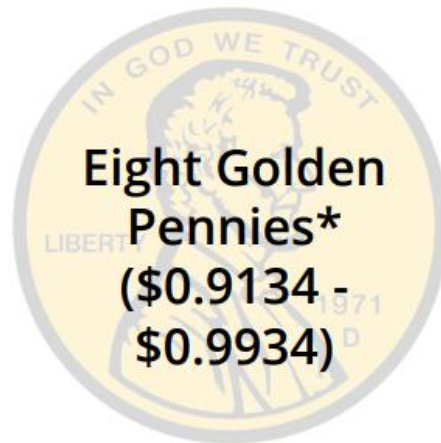


Excess Local Revenue Above Entitlement

LEVEL 1

Tier Two

LEVEL 1



No Excess Local Revenue

Tier Two

LEVEL 2





Excess Local Revenue Above Entitlement



LEVEL 2

HB 3 **increased** the basic allotment by **20%** in FY2020.



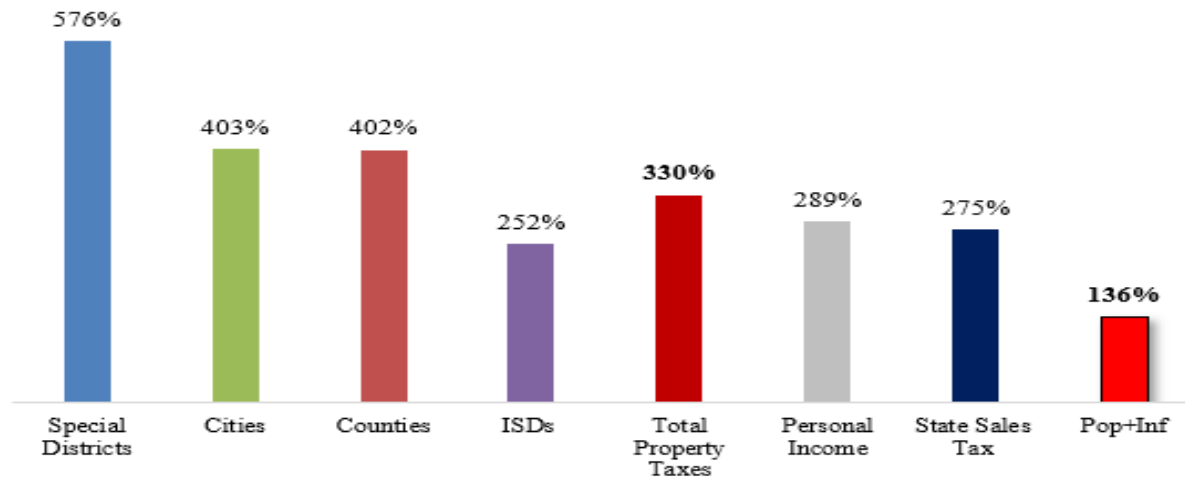
Outcomes Mostly Fall Over Time

4 th Grade Reading				8 th Grade Reading		
	2022	2024	Change	2022	2024	Change
Scale Score 	216	214	-2	259	257	-2
	214	212	-2	255	252	-3
Texas Rank: Unadjusted	33rd	37th	-4	41st	44th	-3

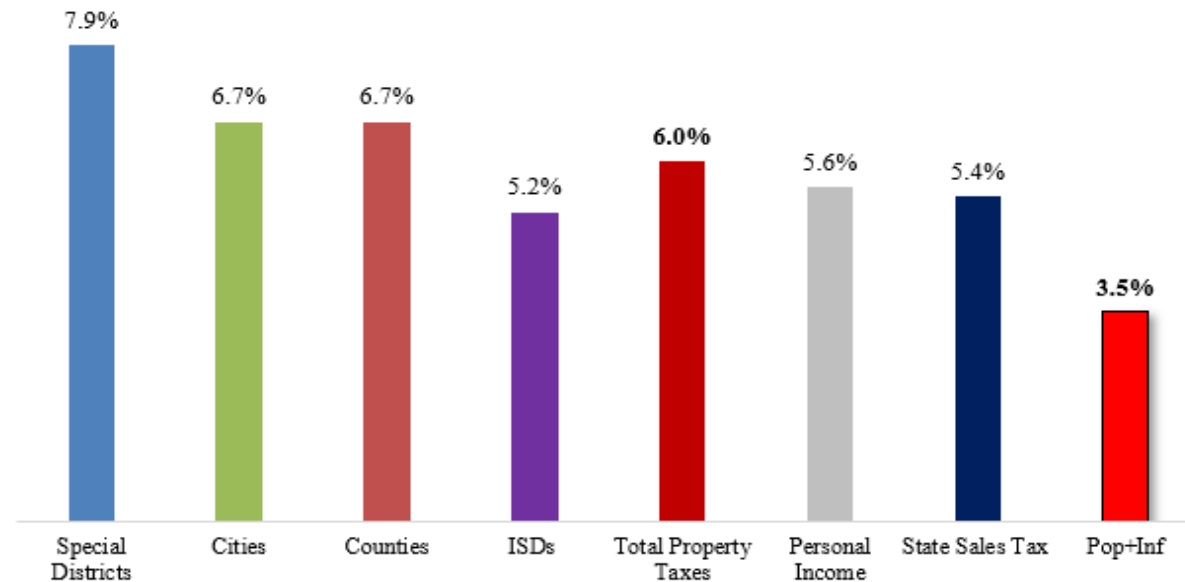
4 th Grade Math				8 th Grade Math		
	2022	2024	Change	2022	2024	Change
Scale Score 	235	237	+2	273	272	-1
	239	241	+2	273	269	-4
Texas Rank: Unadjusted	14th	8th	+6	25th	34th	-9

Property Taxes Contribute to Affordability Crisis

**Growth Over the Last 26 Years
1998-2023**



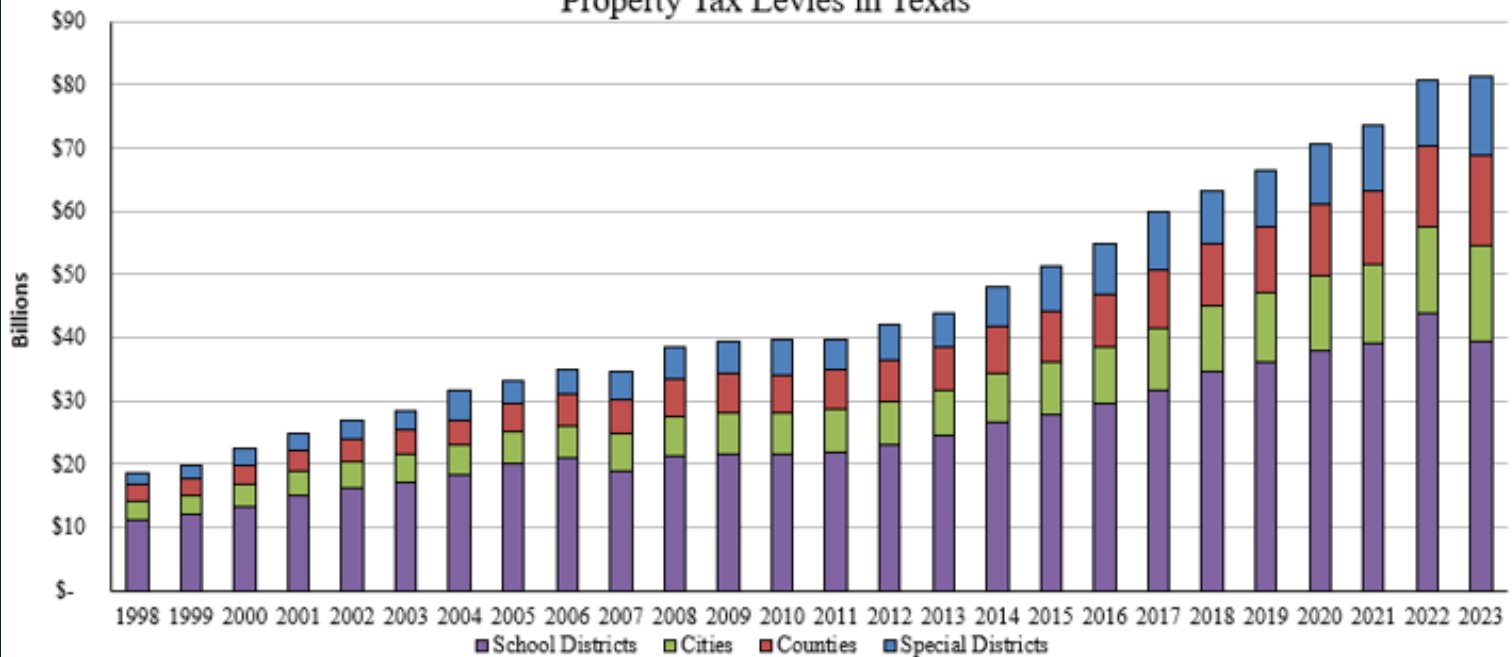
**Compounded Average Annual Growth Rates
1998-2023**



<https://www.vanceginn.com/letpeopleprosper/eliminating-property-taxes-in-texas-real-options-for-true-homeownership-and-economic-prosperity>

Property Tax Relief & Reform

Property Tax Levies in Texas



Tax Year	Special Districts	Counties	Cities	School Districts	Total Property Taxes
2022	\$ 10,409,180,231	\$ 12,797,292,169	\$ 13,634,471,866	\$ 43,949,038,027	\$ 80,789,982,293
2023	\$ 12,723,403,616	\$ 14,174,524,582	\$ 15,049,228,872	\$ 39,496,580,852	\$ 81,443,737,922
Change	\$ 2,314,223,385	\$ 1,377,232,413	\$ 1,414,757,006	\$ (4,452,457,175)	\$ 653,755,629
%	22.2%	10.8%	10.4%	-10.1%	0.8%

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Eliminating School Property Taxes: Surplus Buydown

<i>School District Buydown Variables</i>	
State GRR Spending Growth Limit	5.00%
School District Transfer Tax Rate	0.00%
% of Annual Budget Surplus Used	90.00%
2024-25 Budget Surplus Estimate	\$9,000,000,000
Years to Buy Down Property Taxes to Zero	
School District Maintenance and Operations (M&O)	27
School District Interest and Sinking (I&S) -- Debt	3

<i>School District Buydown Variables</i>	
State GRR Spending Growth Limit	3.00%
School District Transfer Tax Rate	0.00%
% of Annual Budget Surplus Used	90.00%
2024-25 Budget Surplus Estimate	\$9,000,000,000
Years to Buy Down Property Taxes to Zero	
School District Maintenance and Operations (M&O)	10
School District Interest and Sinking (I&S) -- Debt	6

<i>School District Buydown Variables</i>	
State GRR Spending Growth Limit	3.00%
School District Transfer Tax Rate	2.00%
% of Annual Budget Surplus Used	90.00%
2024-25 Budget Surplus Estimate	\$9,000,000,000
Years to Buy Down Property Taxes to Zero	
School District Maintenance and Operations (M&O)	4
School District Interest and Sinking (I&S) -- Debt	4

General Revenue-Related Funds
Average 5.4% Growth Every Year

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Eliminating Local M&O Property Taxes: Surplus Buydown

FY 2024 Sales Tax Revenue

- State – \$42,483,069,000
- Local – \$10,767,415,243

<i>Local Government Buydown Variables</i>	
Local Government Sales Tax Spending Increase Rate	2.00%
Local Government Sales Tax Rate Increase (1.37% is double)	0.00%
Local Government M&O Transfer Tax Rate	0.00%
Local Government I&S Transfer Tax Rate	0.00%
Years to Buy Down Property Taxes to Zero	
Local Government M&O	28
Local Government I&S	???

<i>Local Government Buydown Variables</i>	
Local Government Sales Tax Spending Increase Rate	2.00%
Local Government Sales Tax Rate Increase (1.37% is double)	1.37%
Local Government M&O Transfer Tax Rate	6.00%
Local Government I&S Transfer Tax Rate	0.00%
Years to Buy Down Property Taxes to Zero	
Local Government M&O	8
Local Government I&S	???

<i>Local Government Buydown Variables</i>	
Local Government Sales Tax Spending Increase Rate	1.00%
Local Government Sales Tax Rate Increase (1.37% is double)	0.70%
Local Government M&O Transfer Tax Rate	6.00%
Local Government I&S Transfer Tax Rate	0.00%
Years to Buy Down Property Taxes to Zero	
Local Government M&O	10
Local Government I&S	???

Sales Tax Revenue Growth Averages 4.8% Every Year

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Picking Winners and Losers in Sales Tax Code

February 2023

Tax Exemptions & Tax Incidence

A Report to the Governor and the 88th Legislature

Table 1

Value of Sales Tax Exemptions, Exclusions and Discounts

Fiscal 2023 to 2028 – In millions of dollars

Item	2023	2024	2025	2026	2027	2028
Exemptions	\$42,221.1	\$43,722.8	\$45,376.4	\$47,196.2	\$49,020.5	\$50,979.2
Exclusions	12,882.1	13,503.5	14,070.6	14,704.3	15,414.1	16,164.6
Discounts	354.7	380.9	396.6	415.2	435.2	454.8
Total	\$55,457.9	\$57,607.3	\$59,843.6	\$62,315.7	\$64,869.9	\$67,598.6

Note: Totals may not sum due to rounding.

Eliminating All Property Taxes: Sales Tax Redesign

3. Eliminate All Property Taxes Options - Revenue

Source (Millions of \$)	GDP
Local M&O and I&S Property Taxes	\$ 53,030
<u>Local Sales Tax</u>	\$ 13,421
<u>State Sales Tax Collections</u>	\$ 46,581
Total All Property + Sales Tax	\$ 113,032

Swap Sales Tax Base and Implied Sales Tax Rates (Mil of \$)	GDP	State Tax Rate	Local Tax Rate	Static State + Local Tax	GDP Base Expansion
Private Industries	\$ 2,347,693	3.19%	2.83%	6.02%	215.00%
Private-Real Estate-Health Care	\$ 1,866,790	4.01%	3.56%	7.57%	150.48%
Private-Real Estate-Health Care-Manufacturing-Const	\$ 1,447,610	5.17%	4.59%	9.76%	94.23%
<i>No Change in Sales Tax Rate But Base Needed</i>	\$ 1,370,089	5.47%	4.85%	8.25%	83.83%
Private-Manuf-Manag-HC-Mining-Wholesale (inc Real Estate)	\$ 1,298,206	5.77%	5.12%	10.89%	74.19%
GDP Base from Redesign Static	\$ 963,840	7.77%	6.89%	14.67%	29.32%
<i>No Change in GDP Base But Rate Needed</i>	\$ 745,297	10.05%	8.92%	18.97%	0.00%

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Eliminating All M&O Property Taxes: Sales Tax Redesign

2. Eliminate All M&O Property Taxes Options - Revenue

Source (Millions of \$)	GDP
Local M&O Property Taxes Minus ISD M&O (B2)	\$ 32,837
<u>Local Sales Tax</u>	\$ 13,421
<u>State Sales Tax Collections</u>	\$ 46,581
Total All Property + Sales Tax	\$ 92,839

Swap Sales Tax Base and Implied Sales Tax Rates (Mil of \$)	GDP	State Tax Rate	Local Tax Rate	Static State + Local Tax	GDP Base Expansion
Private Industries	\$ 2,347,693	3.19%	1.97%	5.16%	215.00%
Private-Real Estate-Health Care	\$ 1,866,790	4.01%	2.48%	6.49%	150.48%
Private-Real Estate-Health Care-Manufacturing-Const	\$ 1,447,610	5.17%	3.20%	8.37%	94.23%
No Change in Sales Tax Rate But Base Needed	\$ 1,125,322	6.66%	4.11%	8.25%	50.99%
Private-Manuf-Manag-HC-Mining-Wholesale (inc Real Estate)	\$ 1,298,206	5.77%	3.56%	9.33%	74.19%
GDP Base from Redesign Static	\$ 963,840	7.77%	4.80%	12.57%	29.32%
No Change in GDP Base But Rate Needed	\$ 745,297	10.05%	6.21%	16.26%	0.00%

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Eliminating ISD M&O Property Taxes: Sales Tax Redesign

1. Eliminate School M&O Property Taxes by Options - Revenue Source (Millions of \$)

2023

School M&O Property Tax Collections	\$	28,325
Local Sales Tax Collections	\$	13,421
State Sales Tax Collections	\$	46,581
Total School M&O + Sales Tax	\$	88,327

Redesign Sales Tax Bases and Implied Sales Tax Rates (Mil of \$)	GDP	State Tax Rate	Local Sales Tax Rate	Static State + Local Tax Rate	GDP Base Expansion	Dynamic S+L Tax Rate
Private Industries	\$ 2,347,693	3.19%	0.57%	3.76%	215.00%	
Private-Real Estate	\$ 2,013,326	3.72%	0.67%	4.39%	170.14%	
Private-Real Estate-Health Care	\$ 1,866,790	4.01%	0.72%	4.73%	150.48%	
Private-Manuf-Manag-HC-Mining-Wholesale (inc Real Estate)	\$ 1,298,206	5.77%	1.03%	6.80%	74.19%	
No Change in Sales Tax Rate But GDP Base Needed	\$ 1,070,634	6.25%	2.00%	8.25%	43.65%	
GDP Base from Redesign Static	\$ 963,840	7.77%	1.39%	9.16%	29.32%	8.74%
No Change in GDP Base But Rate Needed	\$ 745,297	10.05%	1.80%	11.85%	0.00%	

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Redesign Buydown of ISD M&O Property Taxes + Cut Other Taxes

	Redesign Buydown	Biennial					
Extra Revenue (If available from ESF or otherwise)		0					
Avg. GRR Rev Increase (2014-2023)		10.22%					
GRR Spending Increase Limited to Avg Pop*Inf (2014-2023)		8.61%					
	Actual/Est.	Est./Elimination	Forecast				
	2022-23	2024-25	2026-27	2028-29	2030-31	2032-33	2034-35
GRR Revenue Increase (Forecast Based on Historical Average)		33,800,000,000	27,337,214,602	28,260,486,972	30,547,367,067	33,162,319,136	36,015,800,153
<u>Total GRR Revenue</u>	171,870,000,000	267,583,307,766	276,620,522,368	299,005,061,139	324,600,848,215	352,531,414,680	382,879,978,706
<u>GRR Revenue Spending</u>	159,310,000,000	249,283,307,766	270,744,574,167	294,053,481,148	319,369,095,545	346,864,178,553	376,726,364,703
New GRR Available for State Spending (Pop*Inf)	0	28,060,000,000	21,461,266,400	23,308,906,981	25,315,614,397	27,495,083,008	29,862,186,150
New Total GRR Revenue for Tax Relief	12,560,000,000	18,300,000,000	5,875,948,201	4,951,579,991	5,231,752,670	5,667,236,127	6,153,614,003
School District M&O Property Tax Replacement %		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<u>School M&O Property Taxes & Tax Relief Available</u>	61,913,307,766	18,300,000,000	5,875,948,201	4,951,579,991	5,231,752,670	5,667,236,127	6,153,614,003

Assumptions:

Redesign includes broadening the sales tax base and lowering the sales tax rate to immediately eliminate school M&O property taxes.

100% of GRR surplus is used to buy down state taxes after school M&O property taxes are eliminated in the first biennium.

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Questions & Discussion

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