

The Governor's Proposal to Eliminate Property Taxes...

by Josh Sanderson

Property tax reduction is arguably the most consistent issue the legislature is assured to address from one legislative session to the next. The legislature has passed significant property tax reduction legislation in every session since 2015, apart from 2017 where no compromise was reached in the regular or first called special sessions. **Currently, the biennial cost of these efforts is over \$51 billion since 2019.**

Governor Greg Abbott recently announced his property tax plan as part of his re-election campaign, which will be part of his legislative priorities going into the next legislative session. The plan is as follows:

School District Property Taxes

Allows for a state constitutional amendment that would eliminate school district property taxes for homesteads. Details have not been made public; however, this would likely not affect I&S taxes.

Cost:

The cost of this proposal is difficult to quantify without additional detail, but it is expected to be another multi-billion dollar tax buy-down per year for M&O.

Voter Approval:

Requires two-thirds voter approval for most tax increase elections.

Appraisals:

Changes the current law requirement that properties be appraised at least once every three years to requiring that properties are only appraised once every five years. Also, the current law appraisal growth cap of 10% would be decreased to 3%.

Local Spending Limits:

Establishing a local government spending limit of the lesser of population plus inflation or 3.5%.

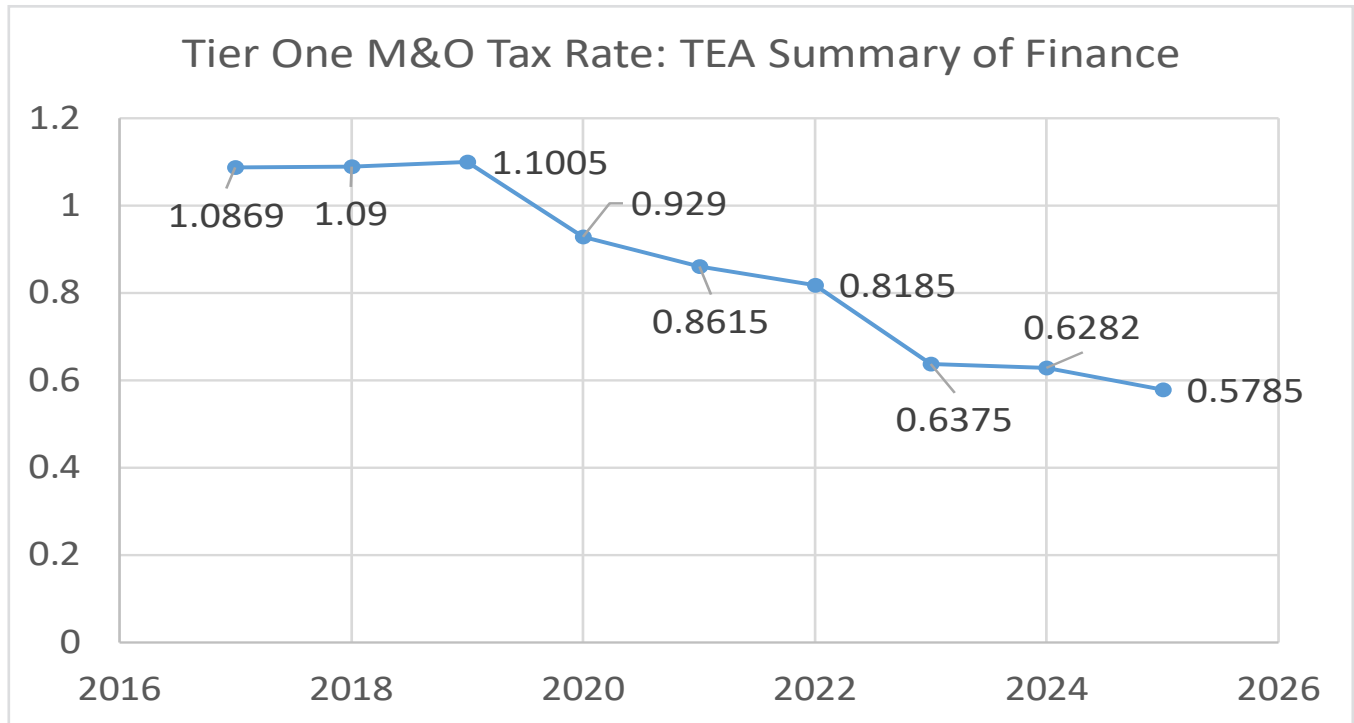
Rollback Elections:

Rollback elections would be triggered with a petition of 15% of registered voters.

In the 2025-26 school year, M&O tax collections are projected to be \$26.7 billion. In the 2024-25 school year, statewide collections were \$29 billion, with the decrease coming largely from the increased state homestead exemption and M&O rate compression. Historically, M&O collections increase from one year to the next even with tax rate compression.

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Property Taxes... continued



2025-26 Property Taxes and State Budget

Cost of ISD M&O Collections	\$26.7 Billion
Cost of ISD I&S Collections	\$12.2 Billion
Total Property Tax Collections Statewide	Approximately \$82 Billion
General Revenue in Public Education	\$43.8 Billion
General Revenue in Health and Human Services	\$45 Billion
General Revenue in State Budget Not in Education or Health	\$30 Billion

Property Tax Reduction and Recapture

The issue of recapture is a perennially hot topic. Calls for reducing or eliminating recapture surface every legislative session. Regardless of addressing issues of funding equity, here is the problem: Current law M&O tax compression is both reducing AND eliminating recapture for some school districts, and this will only increase in the future.

Tax compression in conjunction with the homestead exemption increase alongside the governor's proposal to eliminate ISD property taxes for homesteads will accelerate this trend. However, the result of eliminating recapture is not additional revenue for these school districts. These districts' Foundation School Program entitlement remains the same, absent legislative action to increase FSP funding. ***Increasing FSP funding is the proper way to address local needs regardless of district property wealth, because it is the only way to address inadequate school district funding.***

Property Taxes... continued

Conclusion:

Property tax reduction is clearly a good thing for Texas taxpayers. However, tax reduction policy discussions must be had within the context of state infrastructure needs and available revenue to see to these needs. There are still ample provisions of school finance policy that the legislature must address in the coming legislative sessions, and it is important for lawmakers to keep this in mind as additional state funds are allocated to property tax reductions.

SAVE THE DATE: School Finance & Legislative Workshop, Jan. 25th in San Antonio

- Don't forget to check your e-mail for your link to register for the 25th Annual School Finance & Legislative Workshop. Per usual, it will be held the last Sunday in January (Jan. 25th 11:30 – 3pm).
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Oz, School Funding & Financial Wizardry...

by Dr. Carl Dethloff

During the holiday season, my family, despite now being a household of adults, still treasures the tradition of gathering for a cinematic experience at our local movie theater. Last week, that tradition led us to ***Wicked: For Good***, the sequel set in the land of Oz that explores the complex relationship between Elphaba, now labeled the Wicked Witch of the West, and Glinda, the famously “good” witch. Amid the spectacle of the two-hour-and-eighteen-minute fantasy musical, what resonated most with me were a few unexpected lyrics sung by Jeff Goldblum (as Oz) in the song “Wonderful.”

Those words towered over me like the abominable snow monster loomed over Yukon Cornelius in the 1964 Rankin/Bass classic *Rudolph the Red-Nosed Reindeer*. Chilling in their familiarity, the lyrics echoed the tone of our current federal and state politics as they pertain to public education:

“The truth is not a thing of fact or reason, the truth is just what everyone agrees on...It’s all in which label, is able, to persist.”

Today, deceptive labels are indeed being tossed around and allowed to “stick” to public education and to the elected officials who support traditional public schools. These misleading narratives cast a destructive spell on our neighborhood schools - institutions that have historically supported entire communities and, in most cases, excelled in that mission.

At the recent 2025 TAMS/TARS Legislative Conference (Mid-Size and Rural Schools), held the first week of December, political pundits and legislators offered a timely and unvarnished look at the unprecedented political, fiscal, and structural pressures shaping public education in Texas. From shifting voter dynamics to foundational challenges in school funding, including new targeted allotments - speakers underscored that Texas stands at a pivotal moment.

Policy decisions made in the 90th legislative cycle will define the future of public education for a generation.

Will independent school districts remain truly “independent,” or will expanding state micro management further erode local control?

The Grimmerie & the Political Landscape

Political correspondent, professor, and former CEO Evan Smith opened the conference by emphasizing the unprecedented instability in today’s political environment. With 40% of newspapers having closed over the last four decades, Smith warned that civic discourse is increasingly disconnected from facts, creating a reality where “truth is subjective” - a sentiment eerily reminiscent of Oz’s lyric.

One of the most troubling refrains I continue to hear is that “public schools are factories of woke ideologies.” After serving 33 years in Texas public schools - 15 of those west of I-35 - I would argue the opposite. ***Public schools remain the mortar holding our yellow brick road together.***

Despite what we, as educators, know to be true about our public schools, the plot-line and growing story against the good work that happens in school districts all across Texas every day is deepening.

Journalist, editor, and political analyst Scott Braddock echoed that moods of anger - not optimism - now drive voter turnout, particularly in rural Texas. He also observed the rise of “sore winners”: power players who prevail politically yet govern from a place of resentment, contributing to the increasingly toxic climate of state politics.

Texas’ political geography continues to shape election outcomes. Looking ahead to 2026, Texas faces pivotal races for U.S. Senate, Attorney General, and Comptroller. With high-profile match ups looming and growing concerns over affordability across all interest groups - panelists described a political culture more polarized and volatile than ever before. The question remains how these elections will shape the next legislative session and the policy-makers’ decisions impacting overall budget issues and school funding moving forward.

School Finance: Structural Strain and Tin Man Policy

At the heart of the conference was school finance. Texas currently spends approximately ***\$4,000 less per student*** than the national average and nearly \$10,000 less per teacher in salary. Special education alone is underfunded by approximately \$1.7 billion.

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Oz, School Funding... continued

While House Bill 2 (HB 2) delivered the largest infusion of state dollars into public education in Texas history, much of the funding comes with limitations. It restricts local control and falls short of allowing elected school boards to direct funds where local needs are greatest. The long-debated increase to the Basic Allotment (BA) was blocked in negotiations with Senate leadership.

In response, House leaders advanced the new "Allotment of Basic Costs" (ABC) to increase funding and improve transparency in operational expenses. While the ABC improves accountability, many superintendents expressed frustration that districts still lack the flexibility to target funding based on local priorities.

HB 2 introduced multiple new funding "buckets," but panelists cautioned that layering innovative programs without repairing the underlying structure risks further complicating an already strained system. Still, districts remain grateful for the unprecedented funding levels received this fall, particularly the historic increase in classroom teacher salaries. Teachers are the cornerstone of a successful educational experience, and that reality was recognized by both chambers last session.

Property Tax Compression in the Emerald City
Governor Abbott's proposal to eliminate school property taxes drew intense scrutiny. **Property taxes generate roughly \$87 billion statewide, about half of which support public schools.**

Replacing that revenue through sales taxes would require raising the rate from 8.25% to over 22% - a move that would fundamentally undermine Texas' business-friendly economy. As one panelist challenged bluntly, "Show me the plan."

Tax compression already requires the state to backfill approximately \$51 billion each biennium. With no viable alternative revenue source identified, fiscal experts agreed: *eliminating property taxes without devastating cuts to core services is unrealistic.*

A Kansas Tornado: Vouchers, ESAs, and the Expanding State Role

The expanded Education Savings Account (ESA) program - now capped at \$1 billion - will open applications in February. A recent nonprofit poll suggests nearly half of families would consider applying, and Pre-K students may now qualify. However, the speed and scale of the program's

growth raised concerns about long-term sustainability and its impact on traditional public-school funding.

Panelists warned repeatedly that once education funds are committed, they are no longer "surplus." With growing mandates - safety requirements, new testing tools such as the Student Success Tool (HB 8), and additional assessment districts face increasing state control without proportional funding support.

The Permanent School Fund and Glinda's Political Gravity

The State Board of Education's oversight of the \$60 billion Permanent School Fund, the largest educational endowment in the world, remains a rare source of financial stability amid broader turbulence. Yet board members cautioned that ***even this historic asset cannot correct systemic funding imbalances without meaningful legislative reform.***

A "Wonderful" Call to Local Action

The 2025 TAMS/TARS Conference revealed a Texas education system caught at the intersection of fiscal strain and accelerating state control. Despite the scale of the challenges, speakers urged superintendents and local leaders to remain deeply engaged. "Bring your State Senators to your schools," one panelist advised. Hard data, district visibility, and sustained local advocacy were repeatedly emphasized as the most effective tools still available.

At the end of the day, messy as it may be, we remain blessed to live in a constitutional republic and a thriving state where democracy still flourishes. I am hopeful that in future sessions our elected officials will heed the wisdom of former Secretary of Defense Robert Gates:

"Caring for someone for your benefit is manipulation; caring for them for their benefit is leadership."

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