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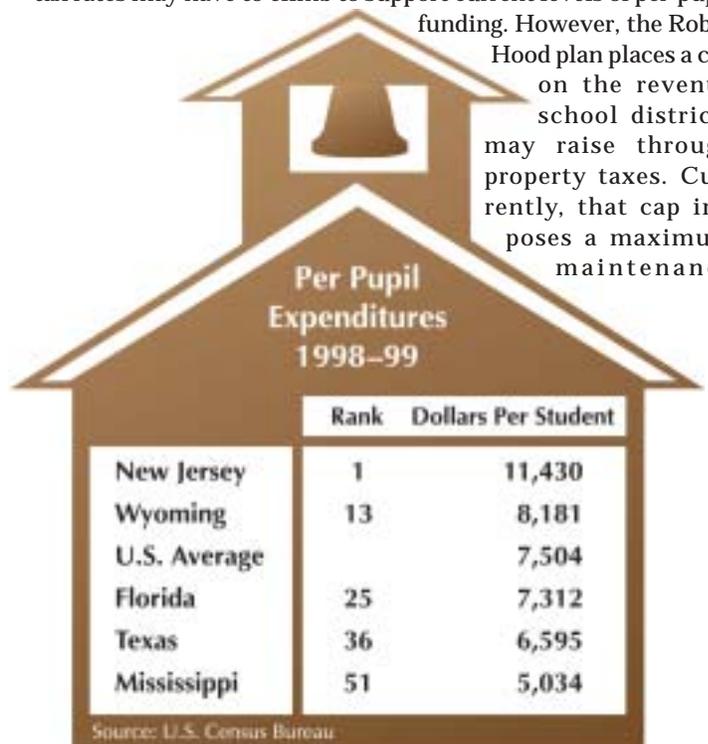
This so-called “Robin Hood” plan sought to offer all Texas children equal access to education regardless of the wealth and circumstances of their parents and local communities. When a school district’s wealth per pupil exceeds the allowed maximum, the Robin Hood plan reshuffles funding for public schools, first by reducing the state’s contribution to property-rich districts. Then, those property-rich districts must adopt a plan to reduce their per-student taxable wealth to the specified maximum. Most districts must accomplish this by actually sending locally collected funds to the state or to another property-poor school district.

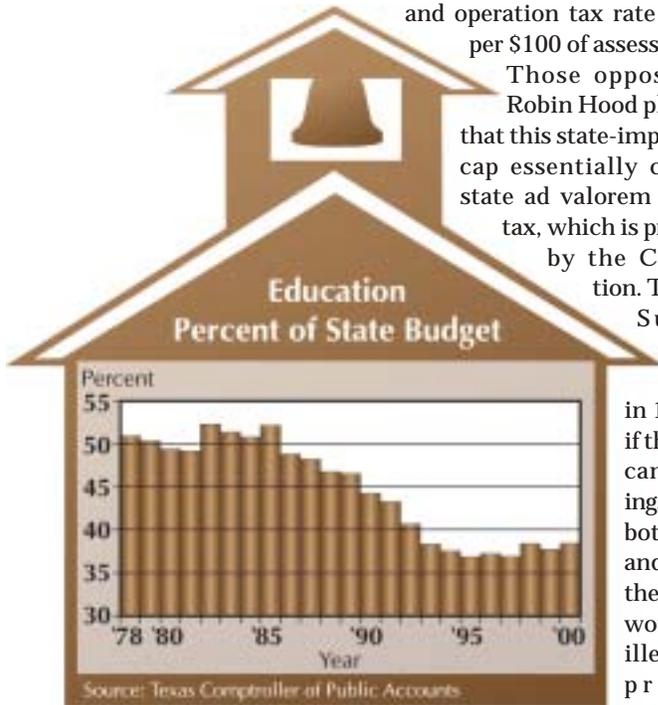
After adopting this plan, the legislature steadfastly avoided imposing new or added taxes. The state property tax, which had always provided an inconsequential amount of revenue, had previously been repealed by constitutional amendment. With no new revenue sources and an educational system clamoring for more money, the Robin Hood plan forced more responsibility for school funding on the local property tax base. Consequently, the state-provided share of local schools’ revenue steadily eroded.

The U.S. Bureau of the Census estimated that in 1998–1999 Texas provided approximately 42 percent of local school funding versus the national average of approximately 50 percent. Local property taxes provided 50 percent of per-pupil funds compared with the national average of 44 percent.

As the state’s educational needs expand in the future, property tax rates may have to climb to support current levels of per-pupil funding. However, the Robin Hood plan places a cap on the revenue school districts may raise through property taxes. Currently, that cap imposes a maximum maintenance

Texas faces a crisis in financing public schools. Beginning in the 1970s and continuing through the 1980s, school districts with low levels of taxable wealth pursued litigation designed to equalize per-pupil funding of public schools. The legislature’s various attempts to address the situation were deemed unconstitutional by the Texas Supreme Court. Finally, in 1995, the legislature passed a plan designed to shift funds from so-called affluent districts to poor districts. The plan also limited school districts’ local tax rate for maintenance and operation.





and operation tax rate of \$1.50 per \$100 of assessed value.

Those opposing the Robin Hood plan argue that this state-imposed rate cap essentially creates a state ad valorem property tax, which is prohibited by the Constitution. The Texas Supreme Court ruled

in 1995 that if the cap became binding, acting as both a floor and ceiling, the measure would be an illegal state property tax. As long

as schools are not forced to tax at the cap, however, the plan is not unconstitutional.

Officials estimate that as many as 37.4 percent of Texas school districts have maintenance and operation tax rates that have reached the limit or will soon, effectively barring further tax increases. In April 2001, a number of these districts filed suit against the commissioner of education, arguing that too many districts had reached the \$1.50 cap, rendering the Robin Hood plan an unconstitutional state property tax. It appeared that without legislative action those districts would likely face

budgetary shortfalls. Recently, however, the court ruled that as long as those districts offer an optional homestead exemption for homeowners, they have not technically reached the limit of their ability to raise revenue at a rate less than the \$1.50 cap. That decision is now being appealed. While the issue does not appear to be ripe for a constitutional challenge now, it will surely come to crisis in the future.

In the meantime, the legislature has created a Joint Committee on Public School Finance to plan for the next session. Legislators will likely investigate a series of options for resolving public school financing issues. They may simply opt to keep the current system in place by increasing the ceiling rate from \$1.50 to \$1.60 or \$1.75. That would avert the looming crisis but would not address the growing dissatisfaction with the Robin Hood plan.

To diffuse taxpayer anger over rising property taxes, the legislature could seek to reduce the tax burden on homeowners by considering a system that taxes businesses more heavily than homeowners. This might allow for meaningful relief without imposing another tax. Such a program would likely include measures designed to access currently untaxed assets by expanding reporting requirements for property owners, especially businesses. Another method of shifting more of the tax burden to business property is to adopt a system in which businesses pay tax at a higher rate than homeowners. As another option, the state could tax all business and commercial property at the state level, using the proceeds for funding equalization.

Undoubtedly, a host of potential solutions will surface as legislative discussions continue. Ultimately, Texas property owners and the real estate industry face the prospect of substantial changes in the property tax system in the years ahead. ■

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