

An aerial photograph of a city skyline at dusk or dawn. The sky is a mix of blue and orange, with scattered clouds. In the foreground, a large body of water reflects the sky and the buildings. The city is filled with various high-rise buildings, some with glass facades that catch the light. A river or lake is visible on the left side, with a bridge crossing it. The overall scene is a vibrant and modern urban landscape.

# House Committee on Ways & Means

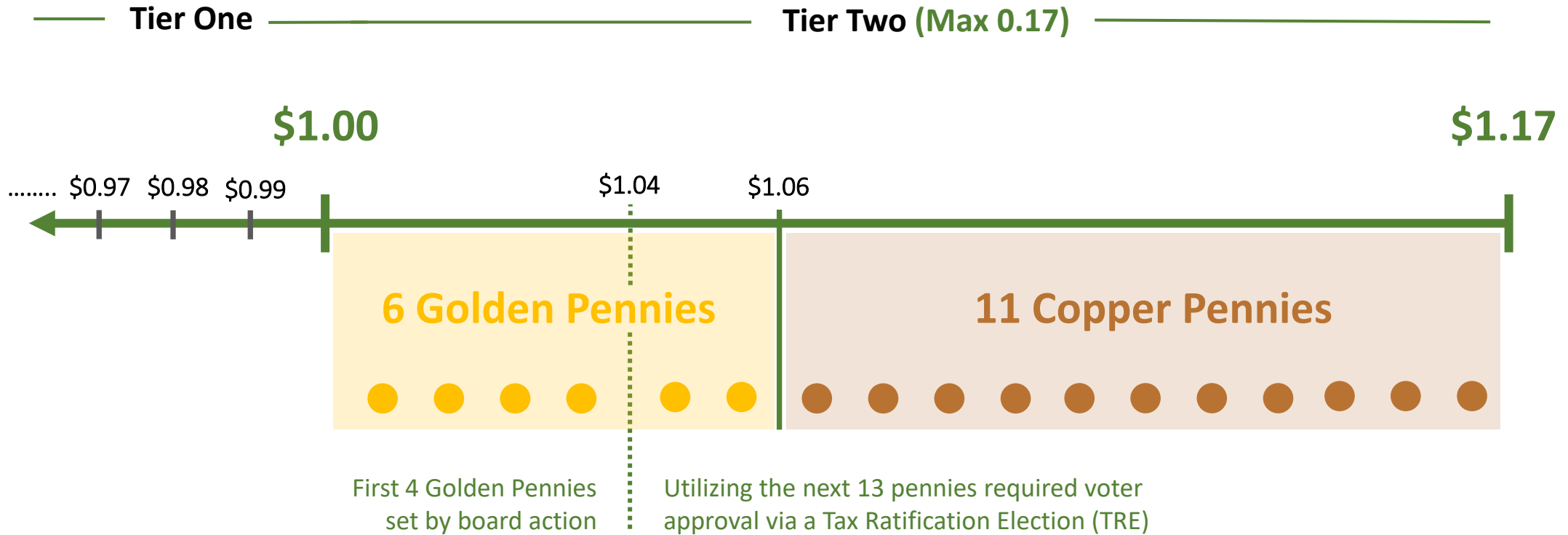
Tax Compression and Federal Education Funds

Study and consider methods of providing additional property tax relief, including the use of \$3 billion in available American Rescue Plan Act funds that were held for future tax relief by the 87th Legislature, and other sources of revenue. Explore options to reduce business property tax burdens and options for limiting the growth of property tax bills.

# Property Tax Compression and School Funding

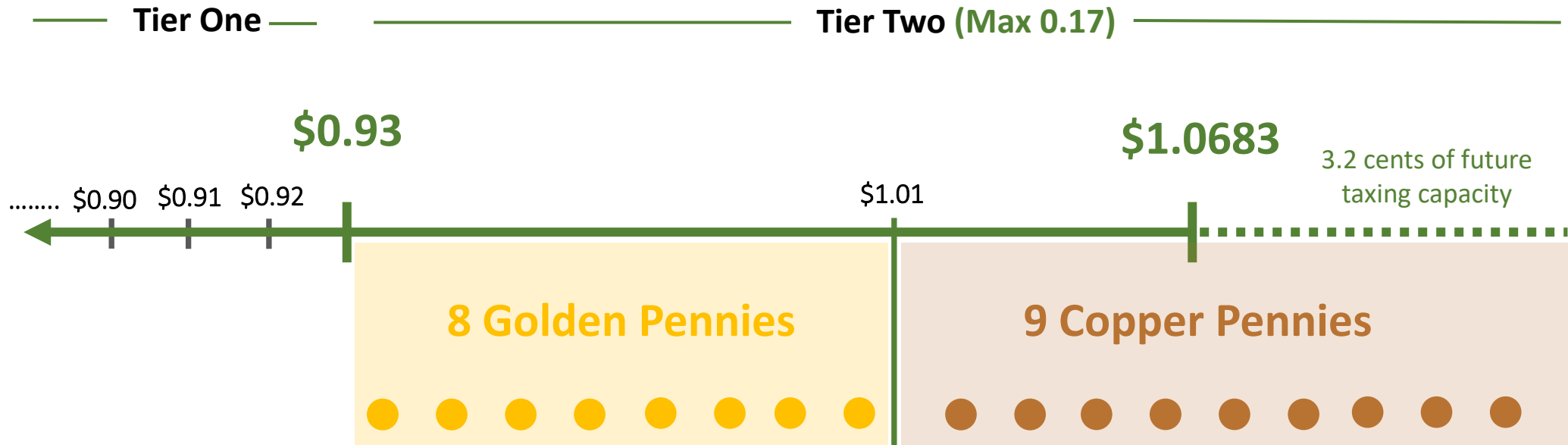
- House Bill 3, 86<sup>th</sup> (R), made major reforms to school funding and property taxes
- The bill immediately compressed local tax rates and included mechanisms for ongoing compression tied to property value growth
- The decrease in local dollars was offset by an increase in state funds

# Refresher: M&O Taxes before HB 3 under Prior Law



## HB 3 Year One (FY2020)

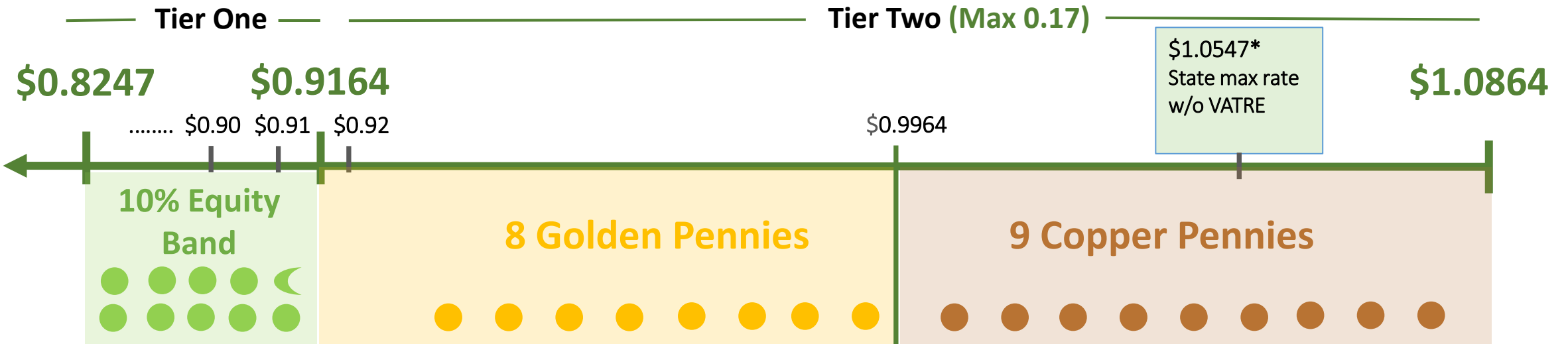
1. Tier One max rate reduced by 7%
2. First two Copper Pennies become Golden Pennies
3. Remaining Copper Pennies are cut in ~ half
4. Rates in most cases cannot be raised for year 1



# HB 3 Year Two: Max M&O Tax Rates Dropped to \$1.0864 (17 cents above state compression of \$0.9164)

## HB 3 Year Two (FY2021)

1. Tier One maximum compressed tax rate (MCR) moved from \$0.93 to \$0.9164
2. Tier One minimum MCR established at \$0.8247
3. Each district now has their own maximum total rate.
4. All districts would need a Voter Approval Tax Rate Election (VATRE) in order to exceed [MCR + \$0.1383].
5. \*Tier One MCR of \$0.9164 + \$0.1383 = \$1.0547, which is the new state maximum M&O tax rate w/out VATRE).

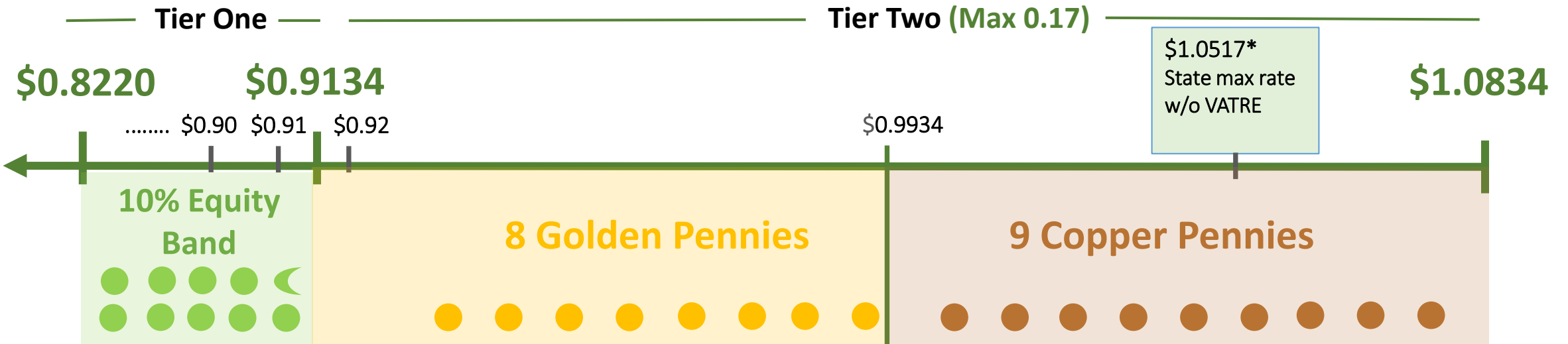




# HB 3 Year Three: Max M&O Tax Rates Dropped to \$1.0834 (17 cents above state compression of \$0.9134)

## HB 3 Year Three (FY2022)

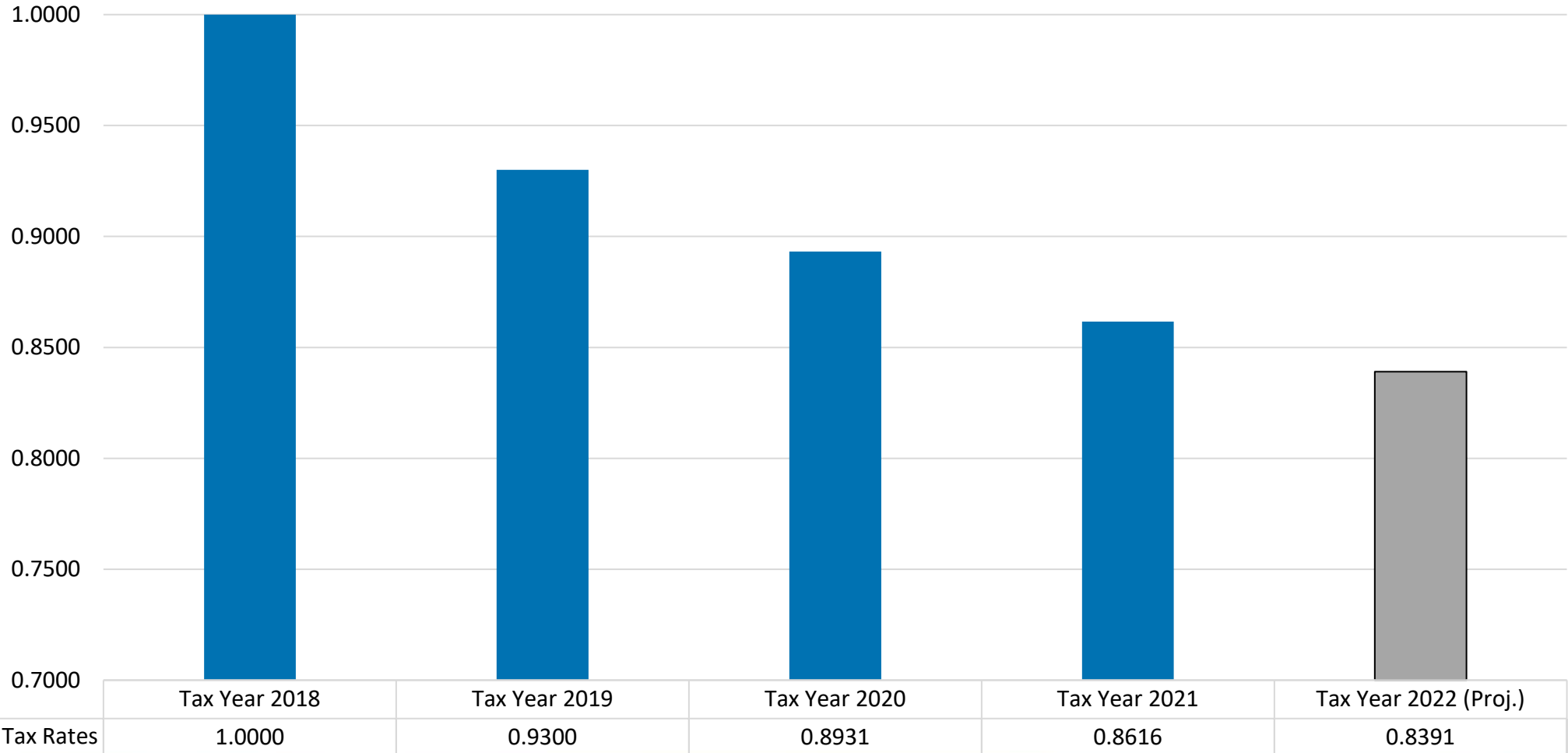
1. Tier One State Compression moved from \$0.9164 to \$0.9134
2. Tier One minimum MCR moved from \$0.8247 to \$0.822
3. Each district now has their own maximum total rate.
4. All districts would need a Voter Approval Tax Rate Election (VATRE) in order to exceed [MCR + \$0.1383].
5. \*Tier One MCR of \$0.9134 + \$0.1383 = \$1.0517, which is the new state maximum M&O tax rate w/out VATRE).



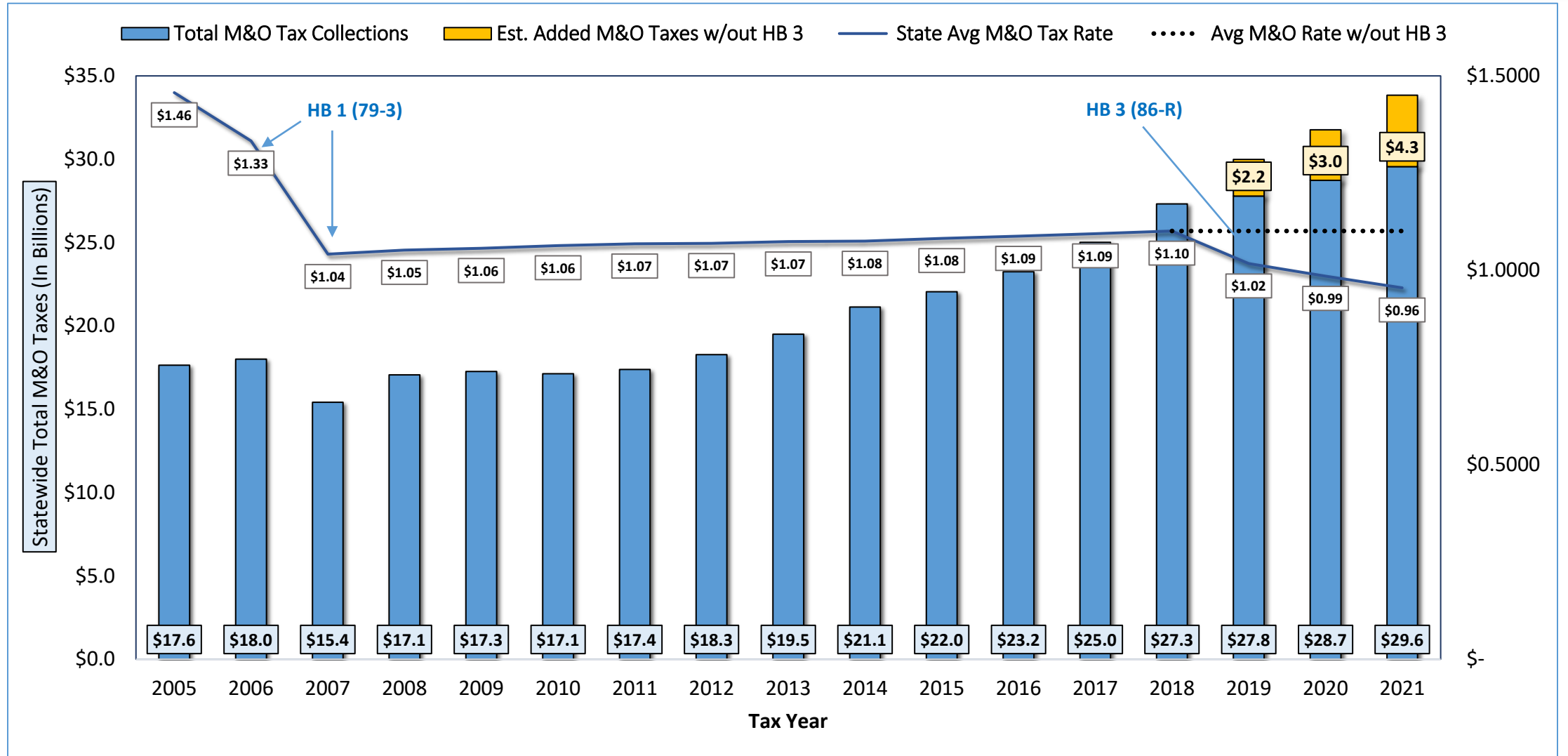


# HB 3 – Tier One Tax Rates and State Average Tax Compression

■ Tax Year 2018  
 ■ Tax Year 2019  
 ■ Tax Year 2020  
 ■ Tax Year 2021  
 ■ Tax Year 2022 (Proj.)



# Tax Rates and Tax Collection History



# ARPA and Other Federal Education Funds Administered by TEA

- The American Rescue Plan Act (ARP Act or ARPA) included multiple funding streams to the State of Texas
- TEA administers funding for designated education purposes
- ARPA appropriations followed similar appropriations made under other federal COVID relief/stimulus bills



# Federal COVID Relief/Stimulus Appropriations for Education Purposes

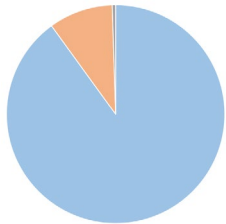


**Three federal bills** appropriated Elementary and Secondary School Emergency Relief (ESSER) funds:

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act,
- The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and
- The American Rescue Plan (ARP) Act

**Pursuant to these laws:**

- 90% of ESSER funds were allocated to Local Education Agencies (LEAs) based on statutory formulas,
- 9.5% was made available for state discretionary programs, and
- 0.5% was for administration across all formula and discretionary programs



# Allowable Uses of ESSER Funds

The CARES, CRRSA, and ARP acts allow a wide range of **LEA uses of ESSER formula funds**:

- Preparing for and responding to the COVID-19 pandemic
- Targeted student services
- Any allowable use under certain other federal legislation (e.g., ESEA, IDEA, Perkins)

Allowable uses of ESSER **state discretionary funds** are similar in intent:

- Any needs as determined by the state for responding to the coronavirus pandemic
- The CRRSA and ARP Acts included certain spending requirements such as learning recovery

As of April 6, 2022, ESSER funds were **fully allocated**

- LEA formula funds have been fully awarded
- State discretionary funds are fully allocated to projects





# ESSER Formula Funds – Direct to LEAs

## Formula ESSER Funds As of April 6, 2022

	ESSER I (CARES)	ESSER II (CRRSA)*	ESSER III (ARP)	Total
Hold Harmless Offset	\$1,069 M	\$1,109 M	\$0	\$2,179 M
Fully Available to LEAs	\$88 M	\$3,869 M	\$11,185 M	\$15,142 M
<b>Total Formula Funds</b>	<b>\$1,157 M</b>	<b>\$4,979 M</b>	<b>\$11,185 M</b>	<b>\$17,321 M</b>
<i>Drawn down to date</i>	<i>\$1,110 M</i>	<i>\$1,325 M</i>	<i>\$1,551 M</i>	<i>\$3,986 M</i>
<i>Remaining</i>	<i>\$48 M</i>	<i>\$3,653 M</i>	<i>\$9,634 M</i>	<i>\$13,334 M</i>
<b>Funding Expiration Date</b>	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2024	

Totals may not sum due to rounding.

\*Includes approx. \$2 million from state discretionary that TEA transferred to statutory formula allocations





# ESSER State Discretionary Funds

*As of April 6, 2022	ESSER I (CARES)	ESSER II (CRRSA)	ESSER III (ARP)	Total
<b>Direct Payments to School Systems (TEC 29.930)</b>	\$2.5 M	\$3.0 M	\$230.9 M	<b>\$236.5 M</b>
<i>Supplemental direct LEA funds</i>	\$0.2 M	\$-	\$225.9 M	\$226.1 M
<i>Technical assistance</i>	\$2.3 M	\$3.0 M	\$5.0 M	\$10.3 M
<b>Operation Connectivity (TEC 29.931 &amp; 932)</b>	\$76.7 M	\$321.5 M	\$3.6 M	<b>\$401.8 M</b>
<i>Reimbursement</i>	\$75.6 M	\$315.1 M	\$2.0 M	\$392.8 M
<i>Technical assistance</i>	\$1.1 M	\$6.4 M	\$1.6 M	\$9.1 M
<b>SSES (TEC 29.041 - 048)</b>	\$-	\$-	\$20.0 M	<b>\$20.0 M</b>
<b>TCLAS (TEC 29.929)</b>	\$42.9 M	\$198.8 M	\$926.0 M	<b>\$1,168 M</b>
<i>Grants to LEAs</i>	\$-	\$-	\$417.8 M	\$417.8 M
<i>Services and supports to LEAs</i>	\$-	\$128.7 M	\$398.5 M	\$527.1 M
<i>Texas Home Learning (THL)</i>	\$42.9 M	\$70.2 M	\$5.0 M	\$118.1 M
<i>Tutoring</i>	\$-	\$-	\$104.8 M	\$104.8 M
<b>Grand Total</b>	<b>\$122 M</b>	<b>\$523 M</b>	<b>\$1,181 M</b>	<b>\$1,826 M</b>

Totals may not sum due to rounding

\*Excludes approx. \$2 million from state discretionary that TEA transferred to statutory formula allocations