

What is Recapture?

Why is it a Critical Part of Public Education in Texas?

So-called "Robin Hood" program has its flaws but is not the main problem facing public school students

by [Chandra Villanueva](#)

Recapture – Why It Exists, And Why We Still Need It

Texas is large, diverse, and enjoys a growing economy. We need a public school finance system that gives all students a fair shot, regardless of where they live. Though it is the state's responsibility to provide a substantial share of school funding, Texas relies heavily on local property taxes to fund our schools. Because property values vary greatly from one community to the next, some districts are better able to generate funds to support education than other districts.

In 1993, after several decades of lawsuits challenging the inherent inequities created by the use of property values to determine school funding, the Legislature implemented Chapter 41 of the Texas Education Code, a system known as recapture. The goal of the recapture system is to help make public school funding more equitable between school districts. Recapture is often referred to as "**Robin Hood**" because wealthy districts send locally collected property tax revenue to the state to distribute to lower-wealth districts and charter schools.

A child's ZIP code should not determine whether they can access a high-quality public education. **Recapture is working as intended** to level the playing field between districts, giving more Texas students the chance to compete and succeed in life. Before recapture, the 100 wealthiest school districts had, on average, nine times as much funding as the 100 lowest wealth districts. The most recent Texas State Supreme Court ruling found these wealthy districts now, on average, have only 1.26 times as much funding than the property-poor districts.¹ This is not perfect equity, but it is a great improvement. As long as school funding is based on property wealth, we need recapture to maintain equity in the school system.

How Does Recapture Work?

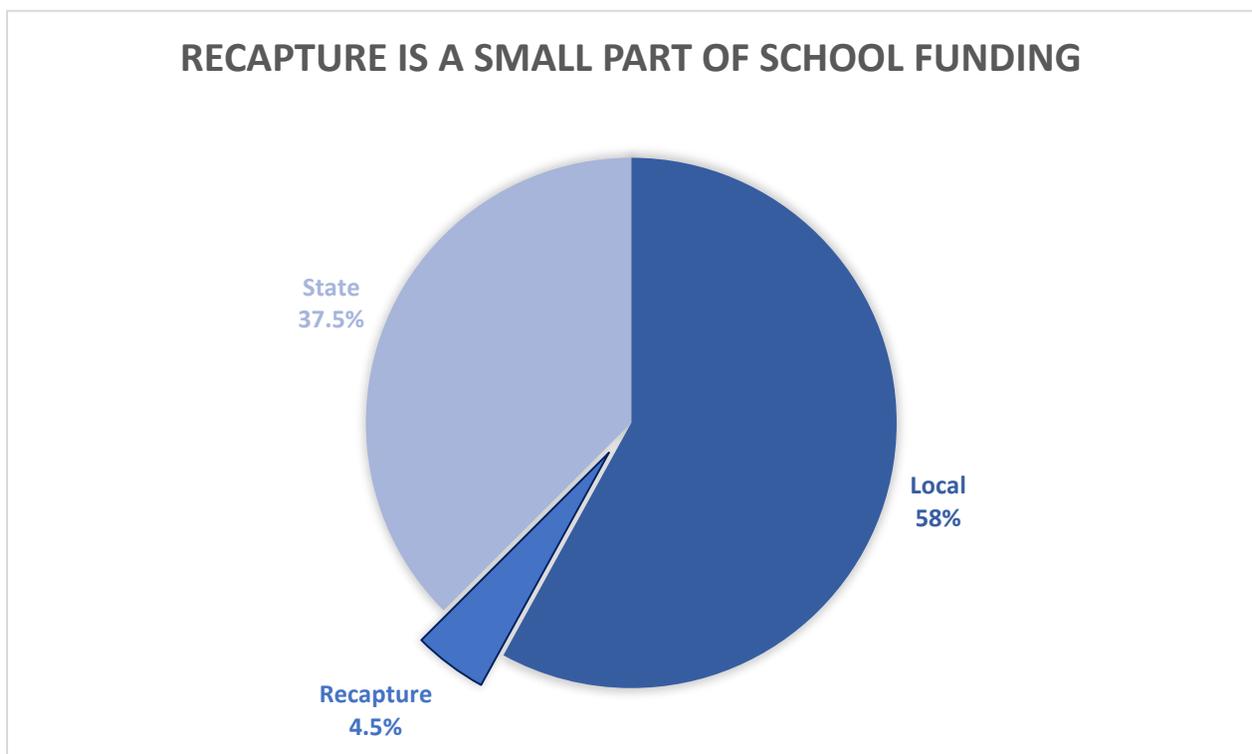
The Texas Education Agency runs every school district's unique mix of geographic and student characteristics through a set of complex formulas to determine its guaranteed funding level per student. If a school district cannot raise enough local property tax revenue to meet the state-guaranteed funding level, then the state provides additional funds up to that level—these districts are referred to as being "**property-poor.**" In contrast, if a school district's local tax revenue exceeds the guaranteed amount, then the state collects or **recaptures** the surplus revenue. Districts that send recapture funds to the state are referred to as being "**property-wealthy.**" Funds collected through recapture are added to the state's general education fund and are used for the support of the property-poor school districts and charter schools.

Charter schools, publicly funded schools that are privately managed, are a growing state responsibility and can impact a school districts recapture status and payment amount. Recapture status is partially dependent on the number of students enrolled in a district, so when a student enrolls in a charter school the wealth per student for the zoned school district increases. Urban areas, such as Houston and Dallas, are now entering recapture in part due to high charter enrollment.

Unlike traditional independent school districts (ISDs), charter school operations are 100 percent state funded so it is possible to trace the amount of state funds collected in recapture and contributed toward charters as they expand. In recent years the state’s charter obligation has surpassed the amount of recapture collected—charters received over \$2.2 Billion in state revenue funds in 2017, and recapture payments to the state totaled over \$1.7 Billion.

How Much Of School Funding Comes From Recapture?

Recapture payments are slated to total over \$2.6 Billion in 2019.² Though, recapture makes up a tiny part of school funding overall – just **4.5 percent** of combined state and local revenue for the Foundation School Program over the 2018-2019 biennium. (Local biennium collections are estimated to total \$59.4 Billion, recapture collections to be upwards of \$4.5 Billion, and state aid to be approximately \$38 Billion).³



Source: Texas Education Agency Summary of Finances, General Appropriations Act

Local property taxes make up the bulk of school funding—nearly 63 percent including local recapture funds—with the state contributing just 37.5 percent.⁴ Because Texas is a growing state, property tax revenue generally increases each year. City and county budgets benefit when local property values increase, allowing municipal governments to invest in police, firefighters, parks, and infrastructure. For schools, however, increasing property values lead the state to contribute less to public education. While the state budget benefits from rising local property tax revenue, local property owners see their tax collections go up without a corresponding improvement to their local schools. For property-wealthy districts, this means higher recapture payments.

Why Does Recapture Get All The Heat?

Recapture gets a bad reputation because Texas public schools are so severely underfunded. The lack of funds mean that many property-wealthy districts find themselves lacking sufficient funds to meet the growing needs of their students. The formulas used to determine the guaranteed level of per student funding are outdated and do not reflect the true cost of providing a high quality education. As a result, some districts have seen their recapture payments grow—and more districts have fallen subject to recapture.

But if the state paid a substantial share toward funding public education at both adequate and equitable levels, then local taxpayers would experience a win-win of property tax relief and more well-resourced schools. The state could put enough money into schools and distribute it effectively to meet the needs of the diverse student population. We can't address concerns around the growth of recapture without first addressing the underlying insufficiency of state funding.

Recapture is not perfect. Originally impacting mostly oil-rich and wealthy suburban districts, recapture now impacts the large, urban school districts who are losing student enrollment to charter schools, private schools, and gentrification while simultaneously becoming hotspots for residential and commercial growth. Districts have to make recapture payments when the local revenue generated from taxable property wealth exceeds the per student guaranteed funding level.

In other words, if you have a booming commercial sector but declining or stagnant school district enrollment, property wealth per student will increase and make the district subject to recapture.

Texas is home to three of the top five fastest-growing cities in America (San Antonio, Dallas, and Fort Worth), and seven of the top fifteen (adding Frisco, New Braunfels, Pflugerville, Georgetown, McKinney, Flower Mound, and Cedar Park).⁵ School districts in all of these cities have entered recapture status either currently or at some point in the past five years.

Solutions

Money matters in education and so does fairness. Recapture is the primary tool we have for equalizing disparate property wealth across this large and growing state. To help reduce crowded classrooms, to expand arts, science and technology offerings, and attract and retain high quality teachers, lawmakers should consider the following policies:

- Increase the state's contribution to public schools to meet its responsibility to fund a substantial portion of the system;
- Ensure the school funding formulas reflect measurable costs for meeting the educational standards in place, including adequate supports of all students;
- Adjust school funding for inflation so that our schools can keep pace with rising costs over time.

¹ *Morath v. The Texas Taxpayer and Student Fairness Coalition*, 14-0076 Texas Supreme Court, 2016.

² Texas Education Agency, 1994-2019 Recapture Paid by District Report

³ Texas Education Agency, PEIMS Financial Data; Texas Education Agency Payment Report.

⁴ Texas General Appropriations Act and Texas Education Agency Summary of Finances, 2018-2019.

⁵ US Census Bureau (2018, May 24). "Census Bureau Reveals Fastest-Growing Large Cities."

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