



SB 1252

Accounting for Chapter 313 Supplemental Payments in the Wealth Equalization Between School Districts

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Purpose

SB 1252 would prevent abuse of wealth equalization between school districts by requiring disclosure of and accounting for supplemental payments received by school districts.

Background

Chapter 313 of the Texas Tax Code allows school districts to reduce the amount of property taxes paid by favored businesses that locate or expand within the district's geographic boundaries by limiting the taxable value of their property. To consider a value limitation agreement, school districts receive a substantial application fee from the business requesting the value limitation. Many districts also receive payments in lieu of taxes (supplemental payments) in return for reducing the property tax burden of a business.

The total taxable value of property in a school district results in designation as a property-wealthy district under Chapter 41 of the Texas Education Code or a property-poor district under Chapter 42 of the Texas Education Code. Chapter 41 districts are subject to the "Robin Hood" rule, under which wealth is equalized to help the state fund poorer, Chapter 42 districts. Under current law, any limitation of property value under a Chapter 313 agreement is not considered when determining the total taxable value of property in the district, nor in calculating the amount of

tax dollars to be recaptured for equalization. Supplemental payments and application fees are also excluded from this calculation.

Analysis

Since its creation, Chapter 313 has generated 509 total value limitation agreements. Of those agreements, 182 involve property poor districts. While the decision to forego revenue is done locally, the benefits are felt statewide. Under the Robin Hood system, these 182 districts recover foregone revenue by receiving recaptured funds from property-wealthy districts. Additionally, they receive supplemental payments and fees that are not subject to calculations of district wealth in the school finance formula. When the Chapter 313 program functions in concert with Robin Hood, it incentivizes local decisions that have negative statewide effects. SB 1252 would mitigate those effects by inhibiting local decision-making that benefits one district at the expense of others and state finances.

Recommendations

This bill takes a necessary step in mitigating misuse of state economic development incentives to the benefit of singular districts at the expense of other Texans. The Legislature should implement this and a complementary reform requiring consideration of artificially limited property values in the wealth equalization calculus to prevent other abuses. ★

