



To the Administrator Addressed

DATE: July 25, 2019

	House Bill 3 (HB 3)
CATEGORY:	Funding Implications
NEXT STEPS:	Share with business and finance staff

House Bill (HB) 3 was passed by the 86th Legislature, 2019, and signed into law by Governor Abbott on June 11, 2019. As a result of HB 3, recapture was reduced by approximately 5.9 p(r)-5.9 p(r)2. recapture, recapture formula changes as well as under HB 3. You can access that webinar and

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This is not a notice that you are subject to recapture. This is general information provided to all LEAs about changes to the f e T 2 2 P

HB 3 lowered tax rates, resulting in fewer collections
HB 3 contains a mechanism to lower future property tax rates

Other formula changes to recapture

The previous method to calculate recapture used prior year values to arrive at a proportional tax base reduction percentage. This percentage was applied to current year tax collections to arrive at recapture amount. This recapture formula created budget instability, i.e. surpluses and deficits. The shift to current year values aligns recapture with entitlement. More details forthcoming in correspondence regarding current year values.

Portions of income from the Permanent School Fund distributed to the Available School Fund (ASF) are intended to be provided to school districts on a per-student basis; however, prior to HB 3, not all districts benefited equally from the ASF. For non-recapture districts, this money counted toward the total entitlement funding a district receives. For recapture districts, the constitutional funds were often provided on top of the locally generated entitlement funding. To provide this funding more equitably under HB 3, all districts now receive ASF funding as c 0.007 Tw 0.3S.5 (dD

Entitlement 2019–2020 School Year and on the Excess Local Revenue webpage at <http://tea.texas.gov/index2.aspx?id=25769817562>.

Options to Reduce Local Revenue in Excess of Entitlement

A district with local revenue in excess of entitlement has the following five options available to reduce the district's revenue level under TEC, Chapter 49.

- 1) Consolidation with another district as provided by Subchapter B
- 2) Detachment of territory as provided by Subchapter C
- 3) Purchase of average daily attendance credit as provided by Subchapter D ("Option 3")
- 4) Education of nonresident students as provided by Subchapter E ("Option 4")
- 5) Tax base consolidation with another district as provided by Subchapter F

Districts have historically selected Option 3. A voter election is required when exercising any form of Option 3 or Option 4. All districts notified as having a local revenue level in excess of entitlement must hold an election authorizing the purchase of attendance credit under Section 49.156, Education Code. Successful elections conducted under TEC former Chapter 41, carry over into TEC, Chapter 49.

How Does the State Use Recapture Revenue?

The most commonly chosen method of paying recapture is Option 3 (paying directly to the state). This option currently

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