THE RELATIONSHIP BETWEEN TAX RELIEF IMPLEMENTATION
AND PUBLIC SCHOOL FINANCE IN THE STATE OF TEXAS

DISserTATION

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By

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The problem of this study is to determine whether or not Texas public schools lost revenue when constitutionally mandated tax relief measures were implemented. The study also traces the evolution of tax relief legislation in Texas from 1969 to 1980. Superintendents from randomly selected school districts identified educational program adjustments required if revenues were reduced. Superintendents also identified educational and property tax issues of concern to district constituents.

A survey instrument related to each section of House Bill 1060, the implementing legislation for the constitutionally mandated tax relief measures in Texas, was distributed to randomly selected Texas public school superintendents. Information collected from 168 superintendents was reported by frequency and percentages in subsets based on Texas Education Agency descriptive categories of wealth per average daily attendance and district type.

From the findings, several conclusions can be drawn. Few Texas school districts lost revenue due to tax relief
implementation, but the burden of the local property tax has shifted from agriculture property to other categories. The trend is toward greater reliance on state funding for public elementary and secondary education. Tax relief measures based on absolute specified monetary exemptions are unreliable because inflation and appraisal methodology manipulates the tax base beyond the controlled usefulness of these exemptions. Educators are caught between taxpayers' demands for tax relief and the continued high costs of providing educational services.

Major urban school district superintendents reported greater taxpayer concern about issues of teacher competency, student test scores, desegregation, and tax equity than did superintendents from other types of districts. Unless educators in urban districts find appropriate ways of demonstrating that public schools can meet the diverse needs of urban youth, urban districts may lose students to private and suburban schools. The conflict between the financial needs for education and the demand for taxpayer relief in the 1980's will be very evident in urban districts.
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CHAPTER I

INTRODUCTION

On June 6, 1978, Californians culminated a fragmented, long-developing trend of taxpayer grumbling by bringing into reality a tax relief law with the passage of landmark Proposition Thirteen. Texas politicians, like many others throughout the nation, quickly responded to a perceived tax relief mandate and taxpayers' revolt. On July 10, 1978, Governor Dolph Briscoe called the Texas Legislature into special session to consider "legislation and proposed constitutional amendments that would return a portion of the $3 billion state 'surplus' (actually revenue to be collected), to the people of Texas" (1, p. 1A). The single objective of the session was to construct a tax reduction and limitation program "consistent with the long range best interest of Texas" (1, p. 1A).

House Joint Resolution proposing constitutional amendments was approved by the legislature on August 8, 1978, and the package was submitted to and approved by the voters of the state of Texas on November 7, 1978. Although not as drastic as California's Proposition Thirteen, this package, known as the Texas Tax Relief Amendments, provided for special tax relief for residential homesteads, elderly persons, disabled
persons and agricultural landowners; for personal property exemptions; for truth in taxation procedures; for redefinition of the tax base so that the legislature could uniformly include taxation of certain intangible property; and for imposition of limitations on state spending (3).

School districts and municipal governments are the two taxing entities most directly affected by property tax reform. Municipal governments in Texas have the revenue sources of the local sales tax, service fees, and other revenue sources at their disposal. Texas school districts, however, must depend either upon full state funding (which Texas does not provide), or a combination of state funding and local property tax revenue for all but a minor portion of their financial existence. Educational programs are thus directly tied to changes in law related to property tax reform. Even more importantly, state aid to local schools is at least partially a function of locally assessed valuation. School districts with lower assessed valuation per pupil receive greater state aid in order to move the distribution of resources in the direction of greater equity (2).

The Sixty-sixth Legislature, convening in January, 1979, was charged with drafting legislation to implement the new Constitutional Amendments. Two pieces of legislation were enacted into law by the Sixty-sixth Legislature that will directly affect the ability of Texas school districts to produce revenue from property taxes: House Bill 1060 and
Senate Bill 621. Because Senate Bill 621 will not be fully implemented until 1982, and because it relates primarily to the mechanics of property tax assessment, this study is limited to the effects of House Bill 1060.

Implementation of House Bill 1060, in conjunction with other social and legal phenomena, will directly affect school districts' abilities to meet their financial needs during the coming decade. Tax relief legislation has altered the financial tax base available to districts at least into the 1980's. School administrators must examine not only the immediate results of this legislation, but they must have some understanding of the political dynamics that weld property tax reform, tax relief, and school finance together in the minds of legislators.

Statement of the Problem

The problems to be examined through this study include the following:

Was there a negative effect on revenue generated for Texas public schools when the 1979 statewide constitutionally mandated tax relief measures were implemented?

What are some of the variables that contribute to the political climate in which school finance legislation is generated in Texas?

If revenues for public education are negatively effected, what educational programs or staff adjustments do superintendents from surveyed Texas schools identify as possible areas
to be altered during the 1980-1981 and 1981-1982 school terms?

Purposes of the Study

This study traces the evolution of tax relief legislation in Texas from 1969 to 1980, describes the political climate as it relates to property tax changes in the early 1980's and examines the effects of the implementation of tax relief laws on the financial resources of Texas school districts. The study identifies educational adjustments made for the 1980-1981 school year and those projected for 1981-1982 which may have resulted from alterations in tax bases as a result of tax relief legislation.

The purposes of this study include the following:

1. To survey selected Texas school districts to determine the effects of tax relief legislation on the 1979-1980 and 1980-1981 revenues;

2. To identify educational adjustments made necessary by tax relief implementation;

3. To identify projected financial and educational concerns of superintendents of these districts for 1980-1981, 1981-1982;

4. To identify from the literature and survey data, various taxpayer and pressure groups and educational issues which, when combined, establish the political environment for property tax legislation and school finance in the
sixty-seventh regular legislative session and probably for several succeeding sessions; and

5. To determine whether differences exist in the effects of tax relief legislation on school districts when grouped by district type and taxable wealth.

Research Questions

In order to pursue the stated purposes of this study a survey questionnaire was developed to examine House Bill 1060 section by section and to determine how provisions of each section have affected the reporting school districts. Each respondent was asked to identify educational program adjustments which might be necessary if funding is altered. Additionally, each respondent reacted to several identified politically important variables and rated their perceived importance in his or her district. The following general questions were addressed:

1. What proportion of school districts took affirmative action to delay the granting of agriculture and timber use valuations for the 1980 tax year?

2. If no action was taken to delay the use of agriculture and timber use values or to allow taxation of automobiles, how did these changes affect the districts' revenues?

3. What was the revenue reduction resulting from homestead, elderly and disabled exemptions?

4. To what extent have school districts been reimbursed by the state for revenues lost through tax relief legislation?
5. Have school districts been forced to raise taxes or do they anticipate a tax increase in 1981 in order to maintain adequate funding to address the educational demands of their constituents?

6. If revenues were adversely affected, what educational reductions or adjustments would be made?

7. Have there been organized taxpayer efforts locally or appeals to the school board for further tax relief measures?

8. Have bond programs been affected or delayed because of the current tax environment?

9. What are concerns or issues, related to the current educational system, that superintendents identify as major causes of taxpayers' negative reactions to school finance or which may affect decisions to be made by the Sixty-seventh or Sixty-eighth Legislature?

10. Have other sources of state funding partially compensated the district for funds lost to tax relief exemptions? Does the superintendent favor a different structure for funding schools?

11. What, if any, has been the effect of tax relief on formal employee organization efforts in Texas school districts? Which, if any, category of personnel would be reduced if funds are not available to maintain the current employment levels?
12. Do differences exist in the effects of property tax relief legislation on school districts in terms of wealth per ADA and district type?

Significance of the Study

Educators and legislators need both data and a general framework from which to generate educational finance legislation. Resorting to emotional arguments is not going to provide a sound school finance package in the 1980's nor meet political demands for sound fiscal management.

Texas school financing has long been a political football—passed and kicked around between rural and urban interests, high effort and low effort taxing districts, and wealthy and poor school districts. Educators must prepare to take the lead in addressing contemporary issues such as low voter confidence in schools, demands for more efficient management practices, re-evaluation of programs and the costs of running the schools. They must understand the political pressures that may lead legislators to seek simplistic, quick solutions rather than address the more difficult problems of long-term reform (7, pp. 1-2).

Different solutions must be found for financing education in the 1980's. Educational groups have looked to the federal government to take a greater responsibility for funding public schools. The states are now considered the more realistic source for funding. New formulas for greater state
financing for schools have been presented in New York and New Jersey (5). The Education Commission of the States in its publication, *School Finance Reform: Emerging Issues and Needed Research*, stresses the need for further analysis of the effects of the composition of the property tax base and the structure of the state financing formula. Another emerging issue that merits further analysis is the possible unequal effect of school finance reform on central city districts and minority and poor children (5).

Prior to the Sixty-seventh Legislative session, skeptical taxpayers in Texas were saying that "'tax relief' turned out to be a $5,000 exemption for homeowners and even that may be negated by the re-evaluation required by Senate Bill 621 in 1981" (6). (The body of this research is limited to legislation adopted through the Sixty-sixth Legislature. Subsequent legislation will be noted in the discussion in Chapter IV and Chapter V.) Many taxpayers feel cheated. Many school boards are facing employee pressures for large salary increases which will require additional tax increases. The alternative may be drastically adjusted educational programs and procedures. No one knows exactly how the tax base itself has actually been affected.

As one examines school finance and the property tax connection, this study is significant in the following ways:

1. There is a need for research and data collection which identifies the effect of the "tax relief amendments"
on the property tax bases of Texas school districts. This study adds to that body of research.

2. This study, through the investigation of the literature and other information sources, summarizes the prevalent tools available for balancing politically necessary tax relief measures and school financing needs. The questionnaire helps to identify areas of possible political pressure for future relief.

3. Agriculture land use and productivity values is one type of tax relief that is common in many states. It is a differential assessment for designated property which many other categories of property owners may attempt to have applied to their type property in the future. This study will assist those interested in evaluating the effect of this form of tax relief on the overall tax base.

**Definition of Terms**

For the purposes of this study the following terms are defined:

Ad valorem tax—is a tax on property at or in proportion to a commonly accepted value.

ADA (Average Daily Attendance)—is the official measure used to represent the number of students in a school district; it is used in calculating state aid.

Assessment ratio—is the assessed value divided by the property's actual market value.
"Circuit Breaker" tax relief—describes rebates or exemptions from a tax when it exceeds a fixed percentage of income.

District type—is a commonly accepted form of categorizing school districts used by the Texas Education Agency since 1975. The criteria used for placing districts into these categories are informal but the system has been used as a convenience and is widely accepted as a "common law" type practice.

Effective tax rate—is the net tax rate divided by market value of property. This figure reflects exemptions, credits and differences in assessment ratios and is thus the most accurate tool for composing different taxing entities.

Horizontal equity—is a tax which is fair and equitable, treating people in equal situations equally.

Intangible personal property—includes paper evidence of wealth, such as a dollar bill, stocks or bonds, which has no value in and of itself but represents a given amount of purchasing power.

LFA (Local Fund Assignment)—is the local district's share of the Minimum Foundation Program.

PAC (Political Action Committee)—is a group set up by corporations, trade, professional associations, labor unions or any interest group to collect and distribute campaign contributions.
Personal property homestead—is that personal property exempt by law from forced sale for debt.

Productivity values—describes the method used to determine the value of agriculture and timber land in House Bill 1060, based on productivity rather than market value.

Real property—is land and the permanent improvements on it.

Reimbursement—is money paid by the state to school districts for revenue lost in granting mandatory homestead exemptions on productive valuation. Any increase in state aid caused by LFA calculation rates for 1979-1980 or 1980-1981 being lower than LFA for 1978-1979 and M and O amounts above $125 per ADA are subtracted from the basic calculated lost revenue in the reimbursement formula.

Senate Bill 350—refers to the Texas Public School Finance Plan adopted by the Sixty-sixth Texas Legislature.

Senate Bill 621—is the legislation that requires the establishment of a uniform, county-wide appraisal board to determine market value of all property to be taxed for school, city or other taxing entities.

STAPB (School Tax Assessment Practices Board)—was established by Senate Bill 1 to establish the value of property wealth in the state. It will be replaced in 1982 by the county-wide Property Tax and Appraisal Board and State Property Tax Board established by Senate Bill 621.
Tangible personal property—is personal property having intrinsic value or worth such as automobiles, jewelry and clothing.

Tax reform--describes actions taken by the legislature to make taxing more equitable either vertically or horizontally or both.

Tax relief--is an action taken by the legislature to lessen the amount of taxes paid by an individual or a group of identified taxpayers.

TEA—refers to the Texas Education Agency.

Vertical equity--is a tax which allows for treating people in unequal situations differently, in accordance with their ability to pay.

Wealth per ADA--is a unit of measure based on assessed market value-wealth of a district, divided by the average daily attendance number of scholastics in public elementary and secondary schools in the district.

Limitations

The true impact of House Bill 1060 will not be realized for several years. The data for the study are new and may or may not be reflective of how tax relief as currently legislated will ultimately affect the districts.

Many different issues affect property taxes, tax relief and school finance. Although several issues are discussed in the literature and related information search, this study
is limited to data collection related to tax relief and specifically to the effects of House Bill 1060 on Texas school districts.

Procedures for Collection of Data

In an attempt to identify specific changes in the tax base of the school districts, a survey instrument designed to gather information related to each section of House Bill 1060 was constructed and mailed to the superintendent of each school district in the 350 district, stratified sample.

The school districts surveyed include all 186 school districts classified in Texas Education Agency categories as major urban, central city, suburban fast-growing and suburban stable.

The remainder of the 350 schools to be surveyed (164 schools) were drawn from the 893 non-metro and rural districts in the state. The data are analyzed by district size and wealth; a simple random sample was drawn from the 893 non-metro and rural districts.

Content validity of the survey instrument was established by a subjective appraisal of items by a panel of experts. This panel included a legislator, a Texas School Administrators Association (TSAA) staff representative, two district superintendents, two university professors of school finance, a tax appraiser and a Texas Education Agency school finance expert. Revisions of the survey instrument were made based upon the suggestions of the panel.
A pilot study of the questionnaire was conducted with a sample of ten school districts selected at random. In "Planning and Conducting Surveys," McCallon wrote,

The pilot study should resemble the planned survey as closely as possible, in order to check and survey procedures to be employed. The pilot study group should be a subset or be loosely akin to the population to be considered in the overall survey and the procedures followed should be as close as possible to the actual procedures planned for the survey itself. In this way the pilot study becomes a miniature survey, checking the questionnaire and procedures (4, p. 48).

Following the development and validation of the survey instrument, the questionnaire was sent to the offices of the superintendent of each of the 350 selected school districts. A cover letter from Linus Wright, Chair of the Texas School Administrators Association, Legislative Committee, on his official stationery explaining the significance of the study accompanied the survey instrument. All questionnaires were accompanied by a return envelope.

Follow-up letters were sent to non-respondents and the Texas School Administrators Association staff helped make follow-up phone contacts to assure an acceptable return.

Procedures for the Analysis of Data

In order to answer the research questions, the data are reported in terms of frequency and percentages collectively. The data are also reported in subsets based on Texas Education Agency descriptive categories: wealth–market value per ADA and district size. Appropriate analysis was made to
determine whether or not there was a relationship between tax gain or loss and Texas Education Agency categories of districts.

The Texas Education Agency subdivided Texas school districts into descriptive categories as follows: District Type: 7 Major Urban Districts; 24 Other Central Cities; 93 Suburban-Fast Growing; 62 Suburban-Stable; and 893 Non-Metro and Rural. Wealth-Market Value per ADA: 56 districts as under $50,000; 269 districts in the $50,000 to $99,999 category; 229 districts in the $100,000 to $149,999 category; 296 districts in the $150,000 to $285,999 category; and 246 districts with $287,000 or over.

The data were used to describe the current tax support base of Texas school districts. The information supplemented the descriptive material from the literature search. Together, this information can be used by educators and legislators as they attempt to design a school finance plan for the 1980's which will meet both the needs of school districts and the political pressure for tax relief.

Interest for this study arose as a result of numerous discussions in which many teachers and administrators expressed little interest in the process through which education was financed. Too often educators expressed a desire for additional funds for education, especially for salary increases, without giving consideration to the political
process through which the funding increase request must pass. Questions and concerns expressed by citizens outside education provided additional impetus for conducting the study. These demands and desires are translated into political pressures and actions by the political process.

This study was conducted to merge these variables into one investigation. The action of the Sixty-sixth Legislature to implement tax relief through House Bill 1060 provided a tangible vehicle for the study.

The report of the study is divided into five chapters. Chapter I outlines the proposed study. Chapter II reviews literature, related conferences, media and other background information sources. Chapter III details the method used for collecting data. Chapter IV reports the responses to the research questions and tabulates the data in an appropriate manner. Chapter V summarizes the findings of the study. Appropriate bibliographical information is included at the end of each chapter. Instruments and the raw data used for the figures are included in the appendices.
CHAPTER BIBLIOGRAPHY


CHAPTER II

REVIEW OF AVAILABLE RELATED INFORMATION

The purposes of this study were to trace the evolution of tax relief legislation in Texas from 1969 to the present, describe the current political climate as it relates to property tax changes and examine the effects of implementing tax relief laws on the financial resources of Texas school districts. To accomplish these aims, background information related to taxation in general, Texas school finance structure, basic property tax concepts, and methods available for granting property tax relief are needed. The relationship between tax relief and school finance must be established.

There is extensive literature related to educational finance and to property taxes in general. However, few studies have been conducted investigating tax relief through the specific use of agriculture usage values. This data review was extracted from books, articles, reports, newspaper reports, personal interviews with political persons, and excerpts from speeches given at conferences related to the subject—this chapter has been divided into six sections as follows: (1) Principles of Taxation, (2) Historical Summary of School Financing in Texas, (3) Property Tax Relief Framework, (4) Summary of House Bill 1060, (5) Political
Inputs Affecting School Financing, and (6) Concluding Statements.

**Principles of Taxation**

Taxation is a fundamental government function. Anything that a government wishes to do must be financed; governments' major source of revenue is citizen taxation. Justice Oliver Wendell Holmes suggested, in 1904, that "Compulsory payments to government are the price that must be paid, now or later, directly or indirectly, for that part of civilization fostered by society's public sector" (30, p. 19).

Government is designed to do collectively what is unlikely to be well-performed individually. Our nation has been built on a framework of conflict between the need for government and the perceived fairness or unfairness of taxes needed to support the level of services desired (30, p. 20). English history reminds us that the citizen taxpayer has often responded forcefully to taxes considered excessive or unfair. The Magna Carta (1215) and the English Bill of Rights (1689) established the principle that consent of the governed is a prerequisite to valid and acceptable taxation. As long ago as Biblical Palestine, where modest incomes were taxed at 40 per cent, the term publican (tax collector) meant robber (30, p. 20).

It is impossible to overstress the role of government spending as a function of the unpopular payment of taxes.
The struggle to design revenue producing schemes is still one of the most time-consuming of legislative activities.

In an affluent, complex, industrial society with an open system of government, as in the United States, the level of government services needed and demanded is both diverse and expensive. Several basic principles related to the taxes needed to pay for these services seem to provide the acceptable foundation for our tax system. First, it is basic to American political thought that taxes should affect individuals within a given taxation category equally (25, p. 153). When, in 1791, George Washington's administration imposed a whiskey excise tax, perceived inequities between individuals and unfair taxation of a perceived "necessity," not a luxury, was one of the major "sparks" which led to the Whiskey Rebellion of 1794 (30, p. 20).

Second, there is long held tradition that those being taxed should have a voice in the decisions as to how those taxes are to be used. Failure of George III and Parliament to apply this principle to the American Colonies was one factor which gave rise to the Boston Tea Party and the War for Independence (6, p. 20).

Third, taxes should be visible and understood. Hidden taxes give rise to tax evasion, loss of trust in the governmental entity imposing the tax, and irresponsible decisions about funding government services (25, p. 162). Gutmann has reported that a $275 billion subterranean economy is
present in the United States in 1980. He reports that, "any good behavioral scientist will recognize that the subterranean economy represents a classic demonstration of how people respond to incentives. The government has created a system of tax regulation that provides strong financial incentives to operate outside the system" (22, p. 15).

Fourth, collection and administration costs should be reasonable in relation to taxes collected. The Sixty-sixth Legislature effectively eliminated the state property tax in Senate Bill 621 by reducing the assessment ratio to 0.0001 per cent. The tax thus costs more to collect than it produced in revenue (7, p. 138). Income generated by this tax is constitutionally dedicated to fund construction projects at seventeen state supported college and university campuses which were not a part of the University of Texas or Texas A & M Systems. Since the tax was eliminated, these institutions brought suit against the State of Texas to require reimposition of the tax since it was not repealed and thus other revenue sources are unavailable to these institutions. Hearings on the issue began in September, 1981 (54, p. 1).

Fifth, the taxes must be politically maintainable. The reaction to politically non-maintainable taxes are illustrated by Californias' reaction to perceived excessively high property taxes and the passage of Proposition 13 or to the
similar reaction of voters in Massachusetts with the 1980 adoption of Proposition 2 1/2 (64, p. 17).

Many Texans cherish the idea of local control of government. Although cities are creations of the state, the property tax has provided a strong local financial base and a sense of local autonomy. In many other federal countries which do not utilize the property tax, local governmental entities are much more controlled by the state because of their dependence on it for all financial resources (5). The issue of local control in our federal system is the source of volumes. However, in Texas, local control of the education system seems to be a strongly cherished tradition, even if it is as much myth as reality.

Just as there are underlying principles of acceptance that are applicable to taxes in general, there are very specific criteria that must be present if the property tax is to work. The following three principles are directly applicable to property taxes: (1) the equity principle which dictates that property taxes should be equally applied to all property within a defined class and that equity should exist between different classes of property, (2) the local home rule principle which dictates that local governments should have wide scope in which to set the rate for taxation after fair assessments have been established, and (3) the political tranquility rule which holds that tranquility can only be
maintained if no taxpayer class becomes intolerably discontent with the tax or its share of it (48).

The very strength of the property tax, its close affiliation to the taxpayer, also makes it one of the most despised and easily assailed taxes. Even before 1978, when Proposition Thirteen heightened public awareness of property tax relief issues, most states had made major changes in their property tax systems during the 1970's. A vast array of methods for reforming the property tax system or for providing relief were employed. Relief and reform are not necessarily one and the same, reform being action that improves the property tax system and relief being any action that reduces net property tax paid by individuals or businesses below what it would have been had no action been taken to prevent further increases (19, p. 1).

School districts are one local governmental unit which utilizes the property tax as the basic income vehicle. Although income is also available from other sources, primarily the state and federal governments, Texas school districts must depend on monies raised through the property tax for the major portion of the revenue (65).

History of School Finance in Texas

In order to understand current issues of tax relief and tax reform in Texas, one must have some historical perspective of how Texas has financed its educational system. At various times in Texas, schools have been financed from poll
taxes, ad valorem taxes, dog taxes, cigarette taxes, sale of public lands, natural and casinghead gas taxes, motor vehicle sales taxes, and any other kind of tax available to prevent a state income tax (20, p. 2; 40, p. 3).

Texas has a long history of public support for education to which it can point with both pride and frustration. Since 1839, county lands have been set apart to help finance public education locally. The State Constitution of 1845, Article T, Section 2, carried a strong charge to the legislature. It required the legislature "as early as possible to establish free schools throughout the State, and . . . furnish means for their support, by taxation on property" (56, p. 7).

In 1911, Texas had two sources for permanent common school funds, the County School Fund and the State Permanent School Fund. The practice of setting aside land for the public school fund can be traced to a petition presented to the Mexican Governor of the state of Coahuila and Texas in 1832 requesting a land grant for primary school funding. The first State Constitution in 1845 established the State Permanent School Fund and each county was required to set aside 17,713 acres, half for an academy and half for a common school (53, p. 400).

Elisha Pease campaigned for governor on an education plank in 1853. The need for public education systems was becoming more evident. As a result of his election, the
School Law of 1854 (a significant benchmark in Texas school finance history) was adopted (29, p. 17). This law reinforced the practice of endowing Texas schools through land grants. The lands were reserved in conjunction with railroad grants, thus school funds improved as the railroads improved their lands (53, p. 404). It is interesting to note that any group of citizens could set up a school, employ a teacher and draw per capita funds (sixty-two cents per capita the first year, one dollar and thirty-four cents the second, but multiplying rapidly through the years). Individual parents could also draw on the fund. Many parents enrolled their children in private schools and claimed their child's per capita entitlement (65, p. 7), thus creating an early "voucher system" very similar to the modern version being suggested by Sugarman and Coons.

Prior to the Civil War, the public schools remained weak and scattered. The "radical" Republicans were the first to initiate a true system of free public schools in the state. The Constitution of 1869 gave the governor and state superintendent broad authority to regulate education. School attendance became compulsory, and the first statewide system of local taxation for schools within defined districts was established (60, p. 2).

Education was a hotly debated issue during the Constitutional Convention of 1875, but the Constitution as adopted in 1876 established the basic framework for school funding as it
was to be practiced for over seventy years. Article VII, Education—The Free Schools, Section 3 of the Texas Constitution of 1876, provided money for public free schools from occupation taxes and a poll tax and any defects were to be "... met by appropriations from the general funds of the state" (57, p. 25). From the beginning, the state funding was meager. Occupational and dog taxes were added to the permanent school fund and distributed on a per capita basis. From 1876 to 1915, with minor exceptions, revenue from the investment of the Permanent School Fund, and certain designated taxes were placed in the Available School Fund. These were apportioned annually on a per capita basis as the sole revenue available to the schools. This meager subsidy was $3.59 per pupil in ADA in 1876 (53, p. 12).

Even in the early 1900's, property-based school funding created controversy. Charges existed that the Permanent School Fund was deprived of large sums of money through failure of officials to fully allocate land, fraudulent sales of school lands at prices below market value, and widespread default on notes held for school trust (53, p. 405). As early as 1879, there was already a demand for more adequate financing of schools. Local and state ad valorem taxation was authorized by Constitutional amendment in 1883. A ceiling of twenty cents per $100 (with approval of a two-thirds vote of property owners) was placed on rural common districts. "Town schools" could tax to a fifty cents per
$100 limit. Thus urban districts had an early educational advantage over rural districts. This conflict between the needs of urban schools and rural ones has been one of the consistent issues in Texas school finance. By 1900, the unequal expenditures between the two was apparent. Over 78 per cent of the state's students were from rural areas, yet 65 per cent of the school-owned property was in urban districts. According to Walker, "rural school districts spent an average of $4.97 per pupil in 1900 for an average school term lasting 98 days. In urban areas, the figures were $8.35 and 162 days. Town schools could vote bonded indebtedness, rural schools could not. Moreover, there were no high schools in rural areas" (65, p. 8).

Two important acts of the Thirty-fourth Legislature (1915) established a primitive form of equalization aid based on maximum tax effort to rural districts and passed a constitutional amendment providing for free textbooks. To qualify for Equalization Aid, a district had to levy a local tax of at least fifty cents per $100 assessed value. Because only small districts qualified, a legislative power struggle developed in the ensuing years with small district representatives trying to increase Equalization Aid and large districts lobbying to increase per scholastic apportionment from the Available School Fund (61, p. 1).

In 1920, constitutional tax limits on school districts were removed. Great disparities between districts' wealth
and taxing efforts became more observable. Still, the lack of state funding forced districts to rely on local resources if they desired quality educational programs. State aid continued to be in the form of per capita grants, a dis-equalizing form of assistance. Most local school districts were reluctant to tax themselves for educational purposes, so these meager state funds were the primary source of school revenue. Both spending and education levels remained low in Texas (61, p. 9).

After World War II, the pressure for change increased. In 1948, the Gilmer-Aiken Committee, in a report called To Have What We Must, proposed a new system to finance schools. The plan established a Minimum Foundation Program (MFP), a formula for allocating state funds for personnel and operations, and through a complicated economic index, an assignment to each school district of its proportional share of the 20 per cent of the MFP to be financed locally in the form of a chargeback called the "local fund assignment."
The state, for the first time, assumed 80 per cent of the cost of the foundation program, and districts were free to "enrich" their programs above the minimum as locally desired (52).

Gilmer-Aiken was a vast improvement over any other education program the state had, but reliance upon local property wealth was still substantial, and spending patterns continued
to vary widely. The county economic index was so complex that it perpetuated great differences in assessed taxable wealth between counties (28, p. 120).

Governor John Connally created the Governors Committee on Public School Education in 1965. The question of equality was addressed for the first time. The report of this committee published in 1968, The Challenge and the Chance, proposed massive state funding for an expanded Minimum Foundation Program and widespread consolidation of schools to help equalize education. The report, considered at the time as radical, was largely ignored (28, p. 80).

Around 1965, the movement for the reform and more equal provision of educational opportunities for all children began. It became evident that education was not solving all the problems for disadvantaged youths and the fiscal core of the educational institution was a prime suspect as a basic cause. In the early 1970's there were several court decisions which forced almost every legislative body to examine their former systems of school finance. In California, Serrano vs. Priest (483 p. 2d 1241, 1244, Cal. 1971) was the first major case related to educational quality and school district wealth. The California Supreme Court ruled that a child's educational opportunities should not depend solely upon the wealth of the school district in which he attended school. The entire wealth of the state, the court stated, should be considered (47).
In the case of Rodrigues vs. San Antonio Independent School District (331 F. Supp. 280 WO Tex. 1971) and its appealent case San Antonio Independent School District vs. Rodrigues (411 U.S. 1, 58, 1973), the United States Supreme Court did not uphold the lower court ruling that the Texas system for financing schools was illegal, but it did place the responsibility for implementing school finance reform squarely into the arena of separate state legislatures (45).

Robinson vs. Cahill (62 N.J. 473, 303A, 2273, 1973) reinforced the trend toward state legislated reform. It established a trend for greater assumption of educational costs by the state and the leveling-up for poor districts (42).

Berke (3, p. 117), after studying the actions of state legislatures, identified two obstacles that stand in the way of reforms advocated by proponents of school finance reform. These are the fiscal obstacles and the political obstacles. Here, tax relief, or rather taxpayer dissatisfaction, come into play. The major fiscal obstacles cluster around the costs for education (i.e., the amount of taxing needed to pay the bills) versus the political interests which are often more concerned with who is going to pay. When America's large middle class comes to see itself as the net contributor to, rather than the beneficiary of, public expenditure programs and regards the price as too high, the stage may be set for major tax policy changes (30, p. 20).
Knight observed this significant political reality in the thrust of what he calls the "New School Finance Movement Since Rodriguez." He says "idealism for school reform has been tempered by the realism that reform must come through the political system (legislative specifically) where school finance systems become enmeshed with public taxation reform" (28, p. 64).

Although the United States Supreme Court upheld the constitutionality of the Texas Foundation Program concept and overruled the original finding that "the quality of public education should not be a function of wealth other than the wealth of the state as a whole," the United States Supreme Court nevertheless urged Texas legislators to create a more equitable method to finance the state school systems. In San Antonio Independent School District vs. Rodriques, the court stated that "we hardly need add that this Court's action today is not viewed as placing judicial imprimatur on the status quo" (45, p. 1289). It further stated that "the ultimate solution must come from the lawmakers and from the democratic pressure of those who elect them." This case and the Serrano case in California did indeed encourage legislative reform for Texas school finance during the last part of the 1970's (27).

In 1975, school finance was the major issue confronting the Sixty-fourth Legislature. House Bill 1126 was the resulting legislation. It added state equalization aid to a renamed
Foundation School Program (FSP) and moved local fund assignments off the economic index and onto "actual market value" of taxable properties (28).

In 1977, school finance once again was a major issue for the Sixty-fifth Legislature. The legislature failed to reach a decision and was forced into special session in July, 1977. Senate Bill 1, the resulting school finance package, revised the local fund assignment once again, adjusted equalization, and provided special personnel units for vocational and special education personnel units (59).

The school finance legislation, Senate Bill 350, that was produced by the Sixty-sixth Legislature in 1979 made adjustments in the basic plan but no major new additions (59). The most important new issue to be addressed was the issue of taxpayer equity. Senate Bill 621 and House Bill 1060 combined both to reform property taxation through "truth in taxation" requirements and county-wide assessments, and to implement voter-approved constitutional tax relief to specific categories of property tax owners. Thus, tax relief and school finance became even more inseparable. Texas, like forty-five other states, uses school aid formulas which incorporate the local property tax base as one determinant of school aid (35, p. 16). Texas, with a foundation school program, guarantees a certain level of revenue per pupil provided the local district levies a property tax at a specified rate. State aid is provided to equal the difference
between the foundation level of spending and the revenue generated by the required tax levy. Because of this equalization function, assessed property values are very important to school financing allocations. School districts with lower assessed valuation per pupil receive greater state aid. Changes in the assessed value base of school districts that result from tax relief measures affect the distribution of state funds to all districts (9).

Because school finance and tax relief are inseparable entities, some examination of the factors contributing to the enactment of House Bill 1060 and tax relief in general are necessary. There are basically no "free lunches" when one provides tax relief. One taxpayer's tax relief means some other taxpayer must assume a greater portion of the burden unless local government expenditures are reduced. Gold lists eight basic ways in which tax relief can be given. They are as follows: (1) reduce local government expenditures (by state control, state or local government assumption of certain local functions, or independent local action); (2) increase state or federal aid to local governments; (3) increase charges or nonproperty taxes of local governments (sales, fees, income, and etc.); (4) increase exemptions for certain kinds of property; (6) set a lower assessment ratio for certain types of property than for other types; (7) restrict property tax revenue by setting limits on nominal
tax rate or assessment ratio while holding the other constant; and (8) limit assessment changes allowed (19, p. 7).

The current demand for tax relief measures might not have arisen if it were not for current high levels of inflation. If inflation affected all types of property equally and if school aid were not a function of property values, inflation would not pose a problem for the property tax. But, not all types of property have been equally affected by inflation. Farm land values, then home values, have risen much faster than business property values (19, p. 9).

In Texas, as in many states, the assessed values of both farm land and residential property have historically been artificially low. Between 1971 and 1977 United States Census Bureau statistics show that total market value on farm real property increased 122 per cent while nonfarm property value increased 67 per cent (19, p. 121). New and improved technology has enabled more frequent and more accurate assessment practices and when the revised market values are imposed, decade-old discrepancies can create drastic and possibly harmful shifts in the incidence of tax burden. When this happens, property tax relief becomes a political imperative (18).

Summary of House Bill 1060

This study specifically investigated House Bill 1060 and the types of property tax relief required by this legislation. Therefore a summary of this legislation is needed.
In 1978, responding to political pressure aroused by the successful passage of Proposition Thirteen in California, the Texas Legislature in special session adopted a package of constitutional changes entitled "The Tax Relief Amendments." This package was adopted by the voters in November, 1978, and the Sixty-sixth Legislature passed implementing legislation, House Bill 1060, in the spring of 1979. A summary of the major provisions of House Bill 1060 follows (60).

Article 1—provides for the appraisal of agricultural land based on use rather than market value.

Article 2—provides for appraisal of timber land based on category of land and "net to land" income.

Article 3—exempts intangible property from the ad valorem tax except bank stock and other similar intangibles already being taxed.

Article 4—exempts household goods and personal effects other than motor vehicles from ad valorem tax.

Article 5—exempts motor vehicles unless taxing jurisdictions take affirmative action to tax these vehicles.

Article 6—defines or redefines homestead.

Article 7—grants $5,000 exemption for homesteads or school appraised values. Grants additional $10,000 school tax exemption for persons over sixty-five years old or disabled. Freezes the total amount of ad valorem or residential homesteads of persons over sixty-five at level paid in 1979.
Article 8--provides for state reimbursement to school districts for taxes lost because of state mandated reduction of ad valorem reductions.

Article 9--limits state spending and outlines the details for carrying out this mandate. Increases in state spending are tied to the economic growth index.

Many groups had long favored legislation granting favorable taxing consideration to farm land as provided in Article 1 and 2 of House Bill 1060. The Texas Constitution, Article 8, Section 1-d as amended in 1966, already granted limited special consideration to farmers, but limited the exemptions to farmers deriving a given percentage of income from farming. Many reasons are given for protecting agriculture land from inflationary increases in property taxes. Concern that high taxes encourages conversion of farm land into other uses is one of the most often used reasons for granting special consideration (23, p. 5).

Although there is a yearly loss of farm land to other use, there is also yearly conversion of raw land to agricultural use and continuing improved technologies in food production precluding any threat to the national food supply in the foreseeable future. Therefore, it may be more realistic to view the favorable tax posture toward farms as a desire to protect traditional rural values and to prevent urban sprawl rather than protect the food supply (39, p. 9). For farmers who derive their full income from agricultural
activities, property taxes often represent a high ratio when compared to their income, although there are differences based on location of the farm. Farms located near major urban areas do tend to pay a higher percentage of their incomes for taxes. The following table, from Gold, illustrates the type problem that helped persuade the legislature to include agriculture use as part of the tax relief package (see Table I).

**TABLE I**

EXAMPLE OF DIFFERENCES IN PROPERTY TAXES AS A PERCENTAGE OF FARM INCOME BETWEEN RURAL AND NEAR-METRO FARMERS

<table>
<thead>
<tr>
<th>Property Tax Variable</th>
<th>Farmer A</th>
<th>Farmer B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Value of Real Estate</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Market Value of Real Estate</td>
<td>200,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Effective Property Tax Rate</td>
<td>0.005</td>
<td>0.005</td>
</tr>
<tr>
<td>Property Tax Bill</td>
<td>$1,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Less Property Taxes</td>
<td>1,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Net After Property Taxes</td>
<td>19,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Property Taxes as a Percentage of Net Income</td>
<td>0.05</td>
<td>0.75</td>
</tr>
</tbody>
</table>


This argument must be balanced with the counter issue—many farms are not operated by the land owners, and the tax
benefits as currently enacted make no distinction between farmer and owner. This issue has created some of the most vocal criticism of House Bill 1060 from suburban governments and the public.

Brown of the Texas Municipal League called extension of the preferential tax treatment to groups other than those dependent on agriculture production "nothing more than a subsidy to large land owners." He went on to accuse the bill of "saving tax dollars for farmers and large land owners but creating a burden to other taxpayers beyond their ability to pay" (8). In an editorial, June 17, 1980, the Dallas Times Herald called House Bill 1060 the "biggest political fraud ever pulled on Texas voters by Dolph Briscoe and House Speaker Bill Clayton, who are substantial rural land owners" (26, p. 2-B).

Reaction from other categories of taxpayers during 1980 has been vocal, especially in the urban fringe suburbs where undeveloped land owned by speculators was suddenly declared agriculture use and exemptions granted. Newspaper reporters uncovered numerous cases like that of the Las Colinas Corporation in Irving, which applied for, legally, and was granted agriculture value on a seventy-nine-acre tract of dense brush and trees, zoned for multi-family housing and with a market value of $984,749. The new agriculture use value lowered the taxable assessment to $4,727 with a tax bill of $47 as opposed to $9,720 had market value been applied (13).
Studies done for the House Study Group of the Texas Legislature and the *Dallas Times Herald* revealed numerous examples of land developers and speculators benefiting from the use value assessment practices. The president of Las Colinas, in response to the Texas House Study Group, declined comment on plans for hundreds of acres in his development that are now valued on use rather than market value. "It's really of no importance what the ultimate use of the land is. The legislation is based on its present use and past use, not its future use. We are in compliance with the legislation" (14, p. 8-A). Irving's tax assessor would not criticize the company for applying for open-space taxation: "The law is there; the applicants are just taking advantage of the law that was passed. Whether the law is right or wrong, somebody else is going to have to decide" (7, p. 75). However, Dan Caldwell, former tax assessor, accused the legislature of "simply shifting the tax burden off the wealthy land owner and onto the medium wage earner" in a *Dallas Times Herald* article (14, p. 1).

Legislators had anticipated some of these problems. Although the real estate and development corporations had influenced the removal of restrictions of agriculture value tax classification, there was an attempt to provide some protection for the local taxing units through the provision of a penalty clause for changing the use of the land. Penalties are applied when land use changes. The intent was
to add incentive to keep land in agriculture usage and to make the program more equitable for the true farmer. At least thirty-three states currently provide for penalties if a landowner who receives agriculture use-value assessment changes the use of the land (18, p. 10). All states with a rollback provision require that benefits be repaid from the current year and a certain number of previous years. There is widespread agreement that rollback tax penalties do not provide a strong deterrent to changing land use, and since most rollback penalties are rather small compared to the benefits of use-value assessment, speculators often benefit greatly from use-value farmland (36).

House Bill 1060 imposes a rollback penalty to be paid by the owner if the land usage changes from agriculture production to development. The land can be sold with no penalty if the use of the land does not change. The rollback covers the preceding five years and 7 per cent is charged (36). In a time when interest rates are as high as 20 per cent and with the value of the land inflating steadily, large investors see that the taxes saved by use of productivity is a rather sound investment. A recent study by Keen on this issue concluded that differential assessments, as a tool to control land use on the urban fringe, is only marginally effective, and rollback penalties are so small that they are rendered almost useless (27, p. 115).
On the other hand, undeveloped land at the urban fringe might be sold in small, scattered lots to pay the yearly taxes if some tax breaks were not allowed. This practice could seriously hamper orderly urban planning and development. Experts on this subject support county-wide or state zoning of permanent agricultural zones and stiff rollback penalties as viable alternatives that would help protect both landowners and other taxpayer groups (3; 18, p. 49; 27, p. 60). Until measures with stronger enforcement incentives are imposed, agricultural use values for purposes of property taxation result in a major tax shift in the incidence of tax payment in many suburban areas.

Some supporters of open space taxation are upset that the law is in fact giving tax benefits to owners who do not have "true agricultural operations." Spokespersons of the Texas Farm Bureau, a strong supporter of the legislation, expressed concern that tax breaks to unrestricted land owners might create a backlash to the law. The legislature was offered, but rejected, several amendments limiting the tax break only to family farms and ranches and imposing stricter penalties on land receiving the break but later developed. The actions of the legislature leaves little doubt that the break was intended to grant the benefit to whatever land qualified (7).

Gold concludes that studies of differential farmland assessment are "somewhat out of touch with the reality of
farm property tax relief programs in that they tend to over-emphasize the goal of preserving farmland relative to the (real) goal of enhancing the income of farmers" (19, p. 120). He goes on to demonstrate that much of the benefit of many state laws is most enjoyed by farmers far from the cities. Here, procedures for measuring use value keep valuations artificially low. Speculation has increased the market value of farmland 122 per cent from 1971 to 1977, therefore allowing farmers to increase their share of real property wealth while decreasing their actual proportion of property taxes compared to other property holders (19, p. 121).

In rural areas, landowners may not realize a tax reduction. Tax assessors have historically undervalued farm land (and often other property) in rural counties, towns and school districts. Many farmers have thus benefited from an informal "tax relief" process for many years. In some cases, agriculture use formulas may impose a higher assessment than the existing market value assessments (37). If the district reappraises, the benefits from use of productive valuation is substantial however.

Article 3 of House Bill 1060 exempts most intangibles (money, stock, insurance policies, etc.) from the ad valorem tax rolls. In reality, this article simply incorporated common practice into law (60).

Articles 4 and 5 address the taxation of personal household goods and automobiles. House Bill 1060 allowed local
tax entities to take action to tax personally owned automobiles. (Business automobiles and trucks are not affected by House Bill 1060.) For the 1980-1981 financial year, the Dallas Independent School District (DISD) chose to tax automobiles, ending the long practice of not taxing automobiles over seven years old. The City of Dallas, with whom the Dallas Independent School District shares a common collection mechanism, did not elect to tax older automobiles. Because the city serves as the collection agency for both taxing units, great confusion was created (68). Each local taxing authority must vote yearly whether or not to tax automobiles; this may create an ongoing political controversy in some local communities.

Articles 6 and 7 grant exemption from school taxes to owners of residential homesteads. The Texas Constitution, Article 16, Section 50, protects homesteads from forced sale for indebtedness. By definition in the Constitution, a homestead consists of a house and 200 acres of land in rural areas or a lot worth less than $10,000 in a city (57). Since this definition would require massive calculations and questions as to the eligibility of homes on lots worth more than $10,000, the legislature redefined homesteads as a "residential structure" plus "land and improvements used in the residential occupancy of the structure" (60).

House Bill 1060 exempts $5,000 of the market value of an individual's homestead from school district ad valorem taxes.
Additionally, individuals sixty-five years old or disabled are entitled to an additional $10,000 exemption of the market value. Section 7 also freezes school district taxes for elderly and disabled at the level of the first year under which they qualify for the exemption status. The question should be raised as to whether or not some school districts reappraised prior to the implementation of House Bill 1060 in order to freeze these homes at the highest appraisal possible rather than get stuck with artificially low appraisals for many years to come (60).

The House Study Group found that exemptions for homes are worth the most in school districts that do the poorest job of appraising their residential property (7, p. 99). Just as school districts with lower assessments benefit the most from state aid allocations (19, p. 8), homeowners in districts with artificially low assessments benefit the most from exemptions. According to the State Property Tax Board Report and the House Study Report, comparing the taxes paid by an elderly person residing in a $30,000 house in Carrollton-Farmers Branch and in Motley County Independent School District illustrates this point. The SPTB reports that the Carrollton-Farmers Branch Independent School District appraises single family houses at an average of 91 per cent of their actual market value; Motley appraised houses in 1979 at only 16 per cent of market value. Because Motley County appraised its houses at such a small portion of their
market value (according to SPTB), a $30,000 house is likely to be valued at only $4,800 before any assessment ratio is applied. Therefore, the basic $5,000 exemption would completely eliminate this property from the tax rolls. By contrast, in Carrollton, a $30,000 house is likely to be appraised at $27,300. Therefore, the taxpayer will save only 18 per cent of the amount of school taxes otherwise due (7, p. 99). Residents benefit most from the exemptions granted in undervaluing districts, and these districts benefit the most from reimbursement by the state. Thus, taxpayers from the rest of the state are subsidizing Motley county's tax relief to homeowners. One of the major goals of the Peveto Tax Reform Bill (621) is to improve the accuracy of appraisals (7). If this goal is accomplished, one of its effects will be a substantial reduction in the dollar savings from House Bill 1060's homestead exemptions.

Reappraisals are one important factor to consider when evaluating the effect of House Bill 1060. Table II, below, was developed by the House Study Group and is an excellent diagram of how the residential school tax picture has changed between 1978 and 1980 in Dallas County.

Not only did Dallas taxing authorities reappraise property but Dallas Independent School District also raised its total tax levy substantially. To further complicate the issue, the county, college district, and other taxing units also increased their tax levies. The City of Dallas did not
### TABLE II

**EXAMPLE OF CHANGES IN SCHOOL TAXES OVER THREE YEARS***

<table>
<thead>
<tr>
<th>Description</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraised Value</td>
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<td>$16,668.</td>
<td>$38,169.</td>
</tr>
<tr>
<td>- Exemption</td>
<td>0.</td>
<td>5,000.</td>
<td>5,000.</td>
</tr>
<tr>
<td>= Net</td>
<td>16,668.</td>
<td>11,668.</td>
<td>33,169.</td>
</tr>
<tr>
<td>X Assessment Ratio</td>
<td>.75</td>
<td>.75</td>
<td>1.00</td>
</tr>
<tr>
<td>= Assessed Value</td>
<td>12,501.</td>
<td>8,751.</td>
<td>33,169.</td>
</tr>
<tr>
<td>X Tax Rate</td>
<td>$1.58/$100</td>
<td>$1.58/$100</td>
<td>$.80/$100</td>
</tr>
<tr>
<td>= Tax</td>
<td>$197.50</td>
<td>$138.27</td>
<td>$265.35</td>
</tr>
<tr>
<td>Dollar Savings Due to Exemption</td>
<td>0.</td>
<td>$59.25</td>
<td>$40.00</td>
</tr>
</tbody>
</table>

*Source: Don Brody and others, "Property Taxes, Relief, Reform, Revolt?", Special Report for the House Study Group, Texas Housing Representatives, November, 1980.

increase its total tax levy but the reappraisal of residential property exacerbated the confusion of taxpayers and added to the total amount of taxes most paid (15). All of these factors combined created the potential for a revolt by taxpayers. This political conflict is described later in this chapter, but part of its roots lie in the discrepancies that apparently are widespread in implementing House Bill 1060.

One of the generally accepted principles for designing equitable tax relief supports the idea that relief should be primarily financed by the state government rather than by
local governments (19, p. 315). Article 8, which establishes reimbursement to school districts, is the legislature's plan for helping school districts which might suffer revenue losses by granting the homestead exemptions and lost taxes on farm land whose use value is less than its tax appraisal for 1978 as required by House Bill 1060. This was a two-year provision which will have to be renewed by the Sixty-seventh Legislature if the practice is to continue beyond 1980-1981 school year (60).

To receive payment, the school district must apply to the State Property Tax Board for reimbursement by the first of November of each year. For the 1979-1980 and 1980-1981 school years, the reimbursement formula calls for payments to be reduced by any reduction in the districts local fund assignment caused by the 1979 school finance bill and by any increase in state aid for operating expenses above $125 per ADA in 1979-1980 and $130 per ADA in 1980-1981. For fiscal year 1980, no school district will be reimbursed for less than 45 per cent of its calculated revenue loss. For 1981, the reimbursement must also be 45 per cent but was greater because some money was left from 1980 reimbursement. The complex formula combined with other factors such as property appraisal programs have affected local fund assignments to such an extent that it is almost impossible to know who benefited from reimbursements and who did not (60). However, districts which have the least effective assessment practices
receive the most rewards in reimbursement. A federal court in Louisiana (Levy vs. Parker, 346 F. Supp. 897) struck down a similar practice which relied on unequal local appraisals in determining the distribution of state aid (19, p. 320).

In 1979, in a speech to educators and tax assessors, Bynum predicted that "school districts would face a drastic need to raise taxes after two years when, and if, reimbursement for revenue lost to House Bill 1060 was not reallocated" (9). After the first year, however, there was a surplus of unrequested reimbursement, and some school districts had benefited from a windfall of state aid when the complicated formula had been applied to their total school finance budgets. House Bill 1060 was not the only variable that affected the "bottom line" (9). Nationally, when reimbursement is allocated, legislatures almost always allocate more than is actually requested (19, p. 318).

Taxes lost due to the freeze on residential property of the elderly are not reimbursable. Additional losses to cities, counties and school districts because of these losses could be substantial in years to come.

Political Inputs Affecting School Financing

School financing is so tied to the property tax that the two often become merged in the minds of the public. Criticism and complaints about high taxes may reflect dissatisfaction with issues which are more realistically related
to the institution and management of education itself than to the actual levying of property taxes. It is important to examine the whole system in a broader sense if one is to understand where and why political pressure for tax relief may arise during the coming decade.

There has been great dissatisfaction with public schools throughout the 1970's for many reasons: well-publicized discipline problems, declining test scores, perceived inadequacy of teachers, destruction of the neighborhood school concept through court-ordered busing, and the growing number of functional illiterates. Whether or not these charges are substantiated by fact, inasmuch as they are believed by the taxpayers whose property is assessed and taxed to support them, they must be dealt with by those who run the schools and by those who approve legislation enabling taxation (49).

Educators have traditionally denied that education and politics are so closely intertwined. Because education is basic to the American dream of upward social and economic mobility, it is one of the most potentially political institutions in our country (3, p. 111). At the same time, educational institutions are arms of the state government, and decisions affecting every aspect of daily operation are made by political bodies. One of the most political of these activities is the competition for money and other resources (62, p. 2).
There are many ways of defining and examining politics including the conflict regulation model, group therapy or pressure groups, community influentials, and the systems theory (62, p. 14). The most comprehensive is the systems approach as developed and used by Easton as a means of examining the interrelationships among the political "actors" and the institutions and the complex processes by which public policy is made. Easton's model is shown in a simplified form in Figure 1 (62, p. 15).

![Fig. 1--Easton's Model in Simplified Form](image)

Thompson coupled Easton's model with a flowchart on policy formation in education by Campbell and others that helps one identify political forces that affect policy formation in education (62, p. 16). (See Figure 2.)

This section of Chapter II identifies some of the basic forces (Campbell's terminology as reported by Thompson), antecedent movements, and political actions that led to the passage of House Bill 1060 and new demands which may ultimately result in additional political action at the state or local level related to school finance or property tax leverage. It is important to remember that the "policy output of one level
Fig. 2--Thompson's adaptation of Campbell's Model Flowchart on Policy Formation in Education.
of government acts as input on the other levels of govern-
ment" (62, p. 35). If local districts cannot or will not
finance adequate education, pressures will be applied to
state and federal governments to meet these demands.
Decisions at the state and federal level will also influence
the actions of local school districts and the financing of
the schools.

One of the basic forces that may create adverse reaction
to larger school budgets and correspondingly high taxes is
perceived failure of schools to educate students. In the
1979 Gallup Poll examining the Public's Attitude Toward the
Public Schools, two-thirds of the American people expressed
their belief that schools are doing an average-to-failing
job of educating their children. The Kappan summarized this
political force in a short paragraph on its editorial page.

What happens to the public schools when two-thirds
of the tax payers (and voters) are dissatisfied with
them? Bond issues fail. Tax levies are defeated.
State legislatures enact Proposition Thirteen-type
initiatives. Students are transferred to private
schools. And the public schools--punished by the
public in the only way it has of showing its dis-
pleasure--grow ever weaker (12, p. 2).

One part of this general loss of confidence results from
concern related to student test scores and basic curriculum
concerns.

The American Association of School Administrators
recognized the problem of confidence when 52 per cent of
them listed declining public confidence as the major problem
for school administrators. Also named a major problem by
more than half of the respondents was the inability to dismiss incompetent staff. The charge that "Teachers Can't Teach" was the cover story of the June 16, 1980, issue of Time magazine. Closer to home, "Why Teachers Can't Teach," in Texas Monthly, dealt with the same concern in 1979. The article charged that teacher education is a massive fraud that drives out dedicated people, rewards incompetence, and wastes millions of tax dollars. But the article charged that children pay the real price (31, p. 12). Statistics show that education majors in college score below average in mathematics and science (24, p. 58). In the past fifteen years, two-thirds of the education applicants for graduate school have scored below average on the GRE examination, exceeding only home economics, physical education and speech (16, p. 13). When the public looks at school teachers and administrators, they are questioning employee competency. Many states, including Texas with the passage of Senate Bill 50 in the Sixty-seventh Legislature, now require competency testing for teachers and administrators. Unless the public confidence problem is addressed, this frustration of parents and the public could be turned into pressures against pay raises and taxes needed to finance them.

The published scores on the statewide Texas Assessment of Basic Skills Tests have aroused renewed public concern about educational outcomes. Low test scores have been the focus of public complaints in many districts.
The Washington Post National Poll reported in 1979 that Americans are not so angry at how much they have to pay in taxes as they are at how little they receive in return (55, p. 16). Many people perceive that the bureaucracy, not the public, benefits the most from taxes. The public are especially angry at what they view as money wasted on employees who are overpaid, lazy, and inefficient. Americans in every region of the country said they would vote for any measure like Proposition Thirteen to cut federal, state or local taxes, since that course seems to be the only way to eliminate waste in government and force public officials to become efficient (55, p. 16).

Another of the basic forces currently creating political pressure is teacher activism. In order to justify the cost in time and money necessary to prepare for the job, teachers must have salary levels that will allow them to stay in the field. Demands for better salaries and an increasingly severe shortage of teachers in certain teaching fields such as mathematics, science, bilingual education, and industrial arts present another problem for educational finance planners. Approximately 80 per cent of most districts' budgets are allocated for salaries. Between 1957 and 1976 the number of educational related workers rose 156 per cent, although enrollment in schools only went up 50 per cent (41).

The unrest among teachers has been called a time bomb by Robert Shutes, Professor of Education at Texas A and M
University. He attributes this unrest to a number of factors, including salaries that will not support a family, increased responsibility for non-academic duties, pressure to restructure America's next generation, staff reductions, unpleasant working surroundings, and public apathy toward the job they do. He recommends salary increases from 25 to 50 per cent based on merit standards as the only way to defuse the time bomb (50).

The general discontentment with public education is another basic force, and it is reflected in the increased enrollment in and increased number of private schools. Despite the fact that many have less money, worse facilities, lower paid and sometimes uncertified teachers, and fewer course offerings than public schools, parents are often willing to pay from $1,500 to $4,000 a year in tuition for their children's education (2, p. 16). Along with more parental involvement, one gets greater homogeneity in the private school. Private schools do not have to be all things to all people and this holds great appeal to many parents. In Dallas County for example, private school enrollment jumped 31 per cent, compared to a 3 per cent drop in public school enrollment, between 1969 and 1978 (2, p. 32). This trend toward greater enrollment in private schools has created some political gathering of forces to allow parents to use public funds for vouchers that could be used in non-public schools. Although California voters did not pass the Statewide
Initiative proposed by Coons and Sugarman (38, p. 65), conservative members of the United States Congress have vowed to pass federal legislation for some voucher system or greater support to private schools.

One underlying issue that continues to undermine public confidence in the schools and to which is credited much of the growth of private schools and in many areas is the unresolved issue of busing for integration purposes. In the fall of 1980, 231,598 children entered first grade in Texas public schools. Only 51.9 per cent of them were Anglo. Surveying school financing in the South as a Ford Foundation Fellow, Williams found that tax reform had been very limited. Personal and business property tended to be severely under-taxed in many systems, and more importantly, tax rates in the districts studied often correlated with the number of Anglo students in the schools (67, p. 301).

Texas Education Agency (TEA) projections show that by the mid-1990's, whites will be the third minority in Texas schools. Only one of the five largest school districts in the state, Austin, currently has an Anglo majority. Although comparative figures show that suburbs around major cities have benefited from white flight, even in those areas the first-grade enrollments show an Anglo decline. Richardson, Texas, is currently 91.8 per cent white, but the first-grade enrollment is 88.4 per cent Anglo. It is a matter of birth rate, not white flight (9).
The increasing political strength of minorities is an antecedent movement that one must consider when examining Texas political environment. Bonilla, national chairman of the League of United Latin American Citizens (LULAC) was reported by the Dallas Times Herald as believing that the extension of the federal Voting Rights Act will safeguard minority votes. Reportedly, he went on to state his belief that, by 1990, the legislature could become a vehicle for income redistribution, including a state income tax and corporate income tax (63).

Special interest groups have exerted great pressure to expand the curriculum offered in the schools. The American people have demanded, through the courts, government policies and regulations and by default, that schools, especially city schools, assume huge new obligations for manpower retraining, integration, mental health, nutrition, family training and other non-academic responsibilities, with no corresponding increase in resources (32, p. 5).

Rising taxes and fees of all types are often lumped together when taxpayers complain of high property taxes. It makes little difference whether the percentage of one's income is paid for property taxes, income taxes, or to utility companies in the form of passed-through fuel adjustments; many taxpayers have seen these costs rise faster than their income. This is a special problem for taxpayers in urban areas where there may be property taxes for school
districts, city government, county government, library districts, hospital districts, water districts, and local sales taxes, in addition to income taxes and high utility rates (34, p. 1).

The relative decline of expenditures for the education of the central city student has occurred simultaneously with a "sorting-out" of the metropolitan population. . . . In general it is the poor, less educated, non-white American who is staying in the central city and the higher income, better educated white who is moving out (51, p. 424).

Public education must constantly compete for tax dollars. In large cities the competition is fierce.

Demographers know that, statistically, America is an aging society. Older taxpayers, most of whom depend on fixed and limited incomes, are financially vulnerable to continued increases in property taxes by the numerous taxing units. They are beginning to unify politically to oppose property tax increases. The experience in Florida, where the elderly population outweighs the young, has given some idea of what might happen politically in other parts of the nation as the number of elderly citizens increases. Public spending and programs demonstrate widespread discrimination against programs for children and education, increasingly harsh attitudes favoring punitive action toward youthful offenders in the criminal justice system, and reductions in child care and medical programs. Inflation has robbed many elderly persons of their dream of a comfortable retirement, and their resentment and frustration often puts them into conflict with the young for scarce financial
resources. The predicted possible collapse of the Social Security System can only widen this gap. Senior citizens have always voted in large numbers, but they have never voted as a special interest group. There are clear indications that the politics of age is coming, and will certainly be felt in the future, as today's twenty-four million senior citizens increase to thirty-two million in the next two decades. Huhn, leader of the Grey Panthers warns, "Watch out, there is profound despair and cynicism among us and it will be felt at the ballot box" (44, p. 5).

Since the passage of the Federal Election Campaign Act of 1971 which allowed corporations to solicit money from employees, Political Action Committees (PACs) from special business interests have provided an increasing share of campaign money and political strength for candidates. These political action organizations could greatly influence future property tax legislation. In the spring of 1981, Texas, with 151 corporate PACs, has more than any other state in the country. Dallas and Houston are second and third after New York in the number of corporate PACs. As a group, public utilities from Texas spent the most in 1980 campaigns, with energy, finance, insurance, real estate, and aerospace companies following closely. Nationally, 1204 corporate PACs spent at least $30 million on 1980 campaigns, according to the Federal Election Commission. When final returns are
tabulated, PACs probably will account for at least 20 per cent of contributions to United States Senate and House candidates in 1980 (1).

Business interests are often at odds with education on local government when the issue is taxation. Texas banks filed suit against the City of Dallas, the Dallas Independent School District, Dallas County, and the City of Highland Park, claiming that the provision in House Bill 1060 allowing local tax jurisdictions to apply ad valorem taxes to bank stock as other business inventory, but exempting other intangible stocks, was unlawful discrimination against bank shareholders (13, p. 4).

Critics say that PACs can interfere with the recipient politician's ability to represent voters. Wertheimer, president of Common Cause, has charged that "PAC money obligates candidates to contributors and reduces their ties to constituents. PACs go to the first place in line, leaving constituents on the sidelines" (50). "The 1980 election was a massive payoff for a lot of conservative PACs" according to Herbert E. Alexander, a University of Southern California political science professor, who was quoted by the Dallas Morning News, adding, "Many Republican challengers could not have won without these funds" (1, p. 10).

Proposals for reform of or restrictions on PACs have gotten no support in Congress. Corporate donations will be an important influence until they are either limited or destroy
themselves and the political system they are poisoning, as Wentheimer predicts (50).

The differential treatment of homeowners and business property during tax re-evaluations is one of the most obvious areas in which the influence of business-elected PAC candidates will be felt. For many years, business people were able to get by with underrendering their properties because most local tax assessors maintained an informal agreement to accept a given amount of tax money, regardless of the true value of the business property. Assessors also agreed not to enforce the law requiring taxation of personal property on individuals before this provision was removed by House Bill 1060. The conflict comes when property is reassessed at market value, and inequities are exacerbated by factors allowing residential property assessments at market value but hindering business property and inventories from being properly assessed. Businessmen will agree to pay "their fair share," which often means as little as possible, according to one journalist (10).

In November, 1980, supporters of tax relief gained an advocate in the White House. Ronald Reagan came into office with an election victory that aided the campaigns of Republican Congressmen. The Republican platform included a pledge to cut the general federal budget and to deregulate education. The trend is toward a block grant format for federal funding to replace the current practice of categorical grants to school districts. Although the full impact of these policies
will not be realized in most local school districts until late 1982, but many federal programs will be reduced (46).

The Reagan victory also brought another potentially important political pressure group into the educational scene. Conservative social interest groups and fundamental religious organizations, all often grouped together under the umbrella name of the Moral Majority, are already beginning to influence educational policy and decisions. Conservative organizations such as the Heritage Foundation have influenced appointments within the Department of Education and have the attention of the President and his staff (46).

The stated interest of these conservative organizations includes reduction of federal aid to education, dismantling the Education Department, reduction of busing for integration, and increasing assistance to parents with children in private schools. These concerns are very likely to be converted into political pressure through the well-organized political organizations that helped elect Reagan to office. Even Secretary Bell had to change several of his original staff appointments when they did not win Heritage Foundation approval (46, p. 622). Curriculum, morals education, discipline, and other educational issues may well be affected, along with budgets and tax structures (46). The general conservative tone of the current federal government officials may be
reflected in policies and practices that directly affect schools, both through curriculum and financing.

Concluding Statement

School finance lies at the very heart of the educational system. Texas has a long history of attempting to provide adequate public schools without adopting a tax support system that might include a state income tax. Student opportunities, employee satisfaction, and taxpayer satisfaction are all functions of the financial support provided to run the schools. Thus educational programs, teachers' salaries, and taxpayer discontent tend to be mingled together into one hodgepodge in the minds of both lay people and legislators. School finance reform and tax relief, two very different entities, thus often get lumped together, and proposed solutions may be unsatisfactory on both issues.

As efforts to reform and equalize educational finance succeed, opposition by the victims of the changes begins to form. Methods used to equalize, along with the property taxes which finance the process, are attacked. Politically organized interest groups are often the deciding factor when solutions for financing education conflict with voter resistance to higher taxes. It makes little difference to most taxpayers why the tax bills go up. Higher taxes are higher taxes in the minds of those affected. Couple this resistance to
change with factors such as dissatisfaction with the product, and one has fertile ground for tax relief demands.

According to the Rand Report on school finance reform, the main achievement of reform has been tax equity rather than equalized instructional expenditures for students living in different places (11, p. 311). House Bill 1060 was one response to the reforms initiated in the 1975 school finance bill, House Bill 1126. Many rural representatives responded to the political pressure that grew out of inflation and property tax reappraisals. Agricultural-use values, and limited tax breaks for the elderly, disabled, and homeowners were the resulting tax relief compromise developed by the Sixty-seventh Legislature.
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CHAPTER III

METHODS AND PROCEDURES FOR COLLECTION

AND TREATMENT OF DATA

This chapter provides information concerning the research design. It includes procedural steps used to identify the sample, develop the survey instrument, and collect the data.

Description of Study

This study was developed to identify taxpayer and educational issues and antecedent movements related to tax relief and public school finance in Texas. This study is based on a self-administered questionnaire. The use of the survey has proven to be an effective method for assessing political and business issues (1, pp. 1-2). It has not been used as widely in studying educational issues. This study is part historical description and part compilation of data documenting the effects of a given piece of legislation (House Bill 1060) on revenue of Texas public schools surveyed.

Important decisions related to the future of school finance and methods that will be used to generate revenue for school districts and other local taxing units in the 1980's will be made by educators and legislators in the future. Valid information is the most critical single factor in any decision-making process. This study was designed to contribute to that
information base. It studies both budget and tax information and superintendents' observations of the political climate in their districts. In this study, emerging and active antecedent political activities which have potential influence on the school finance situation were identified through the literature, interviews with property tax experts and school administrators, newspaper reports, and conference addresses. A survey instrument was developed to supplement the background information gathered and to collect information from individual school districts related to the ways in which House Bill 1060 implementation has effected their tax base, revenue, and educational issues that may be altered by tax adjustments in the district. McCallon states that "surveys--when properly employed--provide powerful, accurate and objective methods for collecting information" (1, p. 2).

Other sources of data include the Texas Education Agency (TEA) projections in "Replacement for Lost School Taxes Due to State Mandated Reduction of Ad Valorem Tax Base," and The Report of Assessment Practices of Texas School Districts, Counties and Cities, 1979 by the Texas Research League as issued in March, 1981.

The Identification of Survey Subjects

The setting for this study was the State of Texas and the 1,079 school districts which operated within the boundaries of the state as of 1980. The Texas Education Agency reports
data from school districts within the state in several descriptive categories of ADA groupings, including district type, wealth-market value per ADA, and maintenance and operations tax effort per $100 market value. The districts selected for this study are compared by district type and wealth-market value per ADA (the state average being $108,358 per ADA).

The selection of an adequate and representative sample from this population was the next major step. A modified stratified method for sampling the population was selected. The state reports statistics in five district types, but 1,810,771 of the 2,626,584 refined ADA for 1980 (68.9 per cent) attend schools in the major urban districts, other central cities, or the suburbs. Therefore, when one samples these districts, one gathers information that would affect the educational financial bases of 68.9 per cent of the state's 1980 student population. All of the school districts in these three categories were therefore sent questionnaires. The remainder of the questionnaires were sent to randomly selected non-metropolitan and rural districts. Each of these districts had less than 3,000 ADA, and most had ADAs of 1,000 or under.

The Texas Education Agency assigns district numbers to each school district. The table of random numbers was used to identify the non-metropolitan and rural school districts to be surveyed. The wealth and market value categories become an uncontrolled random function of the surveys returned, with no prescribed design as to sample selection in that category.
The decision as to size of the original mailing was difficult. McCallon states,

In general, samples of fewer than fifty people should be avoided, and samples of larger than 500 are seldom required. A good rule of thumb would be to have a sample of one-tenth the magnitude of the population, staying within the 50 to 500 range. While it is true that the larger the sample, the more accurate the results tend to be, it is also true that, after a certain size is reached, little increase in accuracy is obtained. At this point, increasing sample size is wasteful of time, money and effort.

Typically, time and financial restrictions determine the size of the sample to be used in the survey (1, p. 27).

Three hundred and fifty questionnaires were mailed, with an anticipated return of 50 per cent or greater. The procedure produced 168 surveys, or 56 per cent return of the 350 questionnaires mailed.

Since the financial information for 1980-1981 was not available in many districts until early December, 1980, and because the information collected was going to be used by the Texas School Administrators Association Legislative Committee for their own study, there was a very narrow time frame for collecting the data. It also excluded the possibility of later attempting to collect additional information. Much of this information was so current that a questionnaire mailed directly to the school districts was the only way to collect the needed data.
Development of Questionnaire

The questionnaire instrument was developed to solicit answers to the research questions. It tracts House Bill 1060 and includes additional questions related to political actions on the part of district constituents related to educational programs and tax concerns. A copy of the questionnaire is included as Appendix A.

Content validity was established through the use of a panel of experts who were given copies of the original survey form and personally interviewed for responses and suggestions for modifications, deletions, or additions. The following educators and tax experts reviewed the questionnaire prior to final printing: (1) a general superintendent of a large school district; (2) a representative of the Texas Education Agency; (3) a deputy associate superintendent of a large urban school district; (4) a research and evaluation statistician from a large urban school district; (5) a professor of educational administration from a large Texas university; (6) a member of the Texas House of Representatives; (7) a tax assessor from a large urban city; (8) a general superintendent from a medium-size school district; (9) a professor of educational administration from a medium-size Texas university; (10) a staff member of the Texas Association of School Administrators Staff, (11) a general superintendent from a large urban school district; and (12) a superintendent of a rural school district.
All panel experts felt that the questions were legitimate and that the study was needed; two expressed some concern about the length of the questionnaire. The questionnaire requested that the respondent answer several detailed financial questions. Some of the information was necessary for other state-mandated reporting such as the Texas Education Agency form for "Replacement of Lost School Taxes Due to State Mandated Reduction of Ad Valorem Tax Base," but the questionnaire asked for information which required more time than is often given to such requests, as it asked the respondent to report specific figures that must be gathered from school financial records. It was decided that the information would be useful to the Texas School Administrators Association Legislative Committee. Although the committee had no funds allocated to support the study, it was agreed that the questionnaire would be mailed with a cover letter from the Committee's Legislative Chairman, and that the returns would be available for use by the Texas School Administrators Legislative Committee who wanted current data as they developed a proposed school finance package for the Sixty-seventh Legislature.

The questionnaire cover letter was signed by the Chair of the Texas School Administrators Association Legislative Committee (Appendix B), and mailed on January 15, 1981, to be returned by February 20, 1981.
The questionnaire consisted of three parts: (1) questions tracking House Bill 1060 tax exemption provisions, (II) questions about educational alterations or adjustments that might be necessary, and (III) other taxpayer issues that could affect school financing in the near future. Stamped, self-addressed envelopes were included in the mailing. The questionnaire was mailed to 350 public school superintendents in Texas.

In late November, 1980, prior to the general mailing in January, 1981, a pilot survey of ten questionnaires was mailed. McCallon states that "probably the most important step that should be taken before the survey is initiated is the pilot survey. The main purpose of this survey is to determine if the instrument and procedures are going to produce valid results" (1, p. 48). The recipients were chosen at random, one each from the smallest sub-classes (major urban and other central cities), two from suburban, and three each to the remaining two sub-categories. Eight of these initial questionnaires were returned. There were no requests for clarification of questions. The questionnaire was then mailed to the remaining 340 superintendents of the school districts to be studied in January, 1980. Response to this original mailing was very positive. A follow-up reminder postcard was sent to 150 non-respondents. Due to the time constraints imposed, a return of 168 returns was accepted.
Additional Information Resources

Five major conferences and seminars related to House Bill 1060 and property taxes were attended in order to gather additional information. These proved to be very valuable as I observed and listened to legislators, Texas Education Agency personnel, tax experts, confused tax assessors from the field, frustrated educators, and angry taxpayers. These meetings included the following: Symposium on Implementation of House Bill 1060 and Senate Bill 350, sponsored by the Texas Education Agency Service Center, Hurst, Texas, July, 1979; Symposium on Implementation of House Bill 1060, sponsored by the Texas State Property Tax Board, Austin, Texas, 1979; Mid-Winter Conference, Texas School Administrators, sponsored by Texas Education Agency, January, 1980; Symposium on Property Tax Relief and Reform, sponsored by the Texas Research League, November 20, 1980, in Austin, Texas; and Pre-Legislative Seminar on Public School Finance, sponsored by the Texas Association of School Administrators and the Texas Association of School Boards, December 5, 1980, in Austin, Texas. I was also present in the House Chamber on the day House Bill 1060 was adopted.

Treatment of the Data

The data were tabulated; summary tables delineating the information accompany each of the points addressed. Frequencies and percentages of subgroups in two descriptive categories were used for treatment of the information.
Table III and Table IV show the distribution of the surveyed districts by TEA district type and by TEA-identified wealth per ADA.

TABLE III

DISTRIBUTION OF SCHOOL DISTRICT RESPONDENTS, GROUPED BY TEA DESIGNATED DISTRICT TYPE

<table>
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<tr>
<th>Major Urban</th>
<th>Central City</th>
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<th>Suburban-Stable</th>
<th>Non-Metro Rural</th>
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<td>16</td>
<td>47</td>
<td>36</td>
<td>64</td>
<td>168</td>
</tr>
</tbody>
</table>

TABLE IV

DISTRIBUTION OF SCHOOL DISTRICT RESPONDENTS, GROUPED BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>$286,000-</th>
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<th>$50,000-</th>
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<th>Total</th>
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<td>168</td>
</tr>
<tr>
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<td>27</td>
<td>39</td>
<td>74</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>

In Chapter IV, the data are summarized for each research question and a discussion follows for each point addressed. Chapter IV reports the responses of 168 public school superintendents about the districts' revenue, tax procedures, educational programs, House Bill exemptions, and political activities. Each research question is addressed with
accompanying summary tables for reporting districts by Texas Education Agency designated district type and by wealth per average daily attendance. Where appropriate, the responses are reported by frequency of responses and percentages of the responding sample. Research Questions 6 and 10 report the mean average of superintendent-related responses by sub-categories in both district-type and wealth-per-ADA categories.
CHAPTER BIBLIOGRAPHY

CHAPTER IV

PRESENTATION AND ANALYSIS OF THE DATA

The data were examined to determine the effects of tax relief legislation on the revenue of selected Texas school districts, to identify educational adjustments in terms of programs and personnel which may have resulted from altered revenues, and to identify tax-related political activity as reported by the superintendents polled. The data were gathered from a survey questionnaire which was returned by 168 Texas Independent School District superintendents or their designates, from an initial mailing of 350 questionnaires. This represents a 56 per cent return.

The survey instrument was designated to gather information about the following: (1) school district revenues for 1979-1980 and 1980-1981; (2) exemptions or agriculture special valuation status that resulted from implementing House Bill 1060; (3) political actions of district constituents related to educational issues and property tax; and (4) possible educational program or personnel changes that superintendents reported as possible consequences of revenue alterations.

Tables accompanying each research question present information describing the number of responding districts in each Texas Education Agency-designated category, by district type.
and wealth per ADA. Texas Education Agency (TEA)-designated district types are unofficial categories developed by TEA in 1975-1976 as convenient categories for gathering and reporting statewide data. These categories have become widely used, almost "common law" type designations which are used for all TEA district-type reports although they have never been given formalized criteria by TEA. For example, major urban districts are the eight very large urban districts, with ADAs of 50,000 or greater. The central city category, as described by TEA, is the largest school district in each major state standard metropolitan statistical area but smaller than the seven districts TEA has identified as major urban. Table V presents information describing the number of responses to the survey, by district type and wealth per ADA.

The data contained in Tables VI and VII are reported as frequency and percentages of the sample group, in order to address issues raised in the research questions. Each research question is identified and a corresponding summary of the data is reported, followed by a discussion of the issue.

Research Question 1

1. What proportion of school districts took affirmative action to delay the granting of agriculture and timber use valuations for the 1980 tax year?

The number and percentage of school districts which took action delaying the use of agriculture values in 1979-1980 by
### TABLE V

NUMBER OF RESPONDING DISTRICTS BY TEA DESIGNATED TYPE AND WEALTH PER ADA

<table>
<thead>
<tr>
<th>Wealth/ADA</th>
<th>Major Urban</th>
<th>Other Central City</th>
<th>Suburb-Fast Growing</th>
<th>Suburb-Stable</th>
<th>Non-Metro &amp; Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$286,000 and Up</td>
<td>...</td>
<td>...</td>
<td>2</td>
<td>1</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>$150,000–285,999</td>
<td>...</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>15</td>
<td>27</td>
</tr>
<tr>
<td>$100,000–149,999</td>
<td>2</td>
<td>...</td>
<td>10</td>
<td>10</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td>$50,000–99,999</td>
<td>3</td>
<td>11</td>
<td>25</td>
<td>14</td>
<td>21</td>
<td>74</td>
</tr>
<tr>
<td>Under $50,000</td>
<td>...</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>16</td>
<td>47</td>
<td>36</td>
<td>64</td>
<td>168</td>
</tr>
</tbody>
</table>
### TABLE VI

NUMBER AND PERCENTAGE OF SCHOOL DISTRICTS WHICH TOOK ACTION DELAYING THE USE OF AGRICULTURE VALUES IN 1979-1980, BY DISTRICT TYPE

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>4 (80%)</td>
<td>9 (56.25%)</td>
<td>24 (51%)</td>
<td>17 (47%)</td>
<td>33 (51.16%)</td>
<td>87 (51.7%)</td>
</tr>
</tbody>
</table>

### TABLE VII

NUMBER AND PERCENTAGE OF SCHOOL DISTRICTS WHICH TOOK ACTION DELAYING THE USE OF AGRICULTURE VALUES IN 1979-1980, BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>6 (60%)</td>
<td>13 (48%)</td>
<td>23 (59.97%)</td>
<td>39 (52.9%)</td>
<td>6 (33.3%)</td>
<td>87 (51.7%)</td>
</tr>
</tbody>
</table>
district type is reported in Table VI. Table VII reports the number and percentage of school districts which took action delaying the use of agriculture values in 1979-1980 by wealth per ADA category.

When House Bill 1060 was enacted, the legislature provided a vehicle for a delay in granting special valuation status to agriculture land. In order to grant a delay, the governing body of the taxing authority (in the case of school districts, the board of education) was required to take the affirmative action of voting to delay granting agriculture use appraisal values rather than taxing on market value. In this study, 51.7 per cent of the school boards reportedly took this action, thus delaying the use of agriculture values until 1980-1981 in those districts.

Time was one factor that was of concern. The final implementing legislation was approved by the Texas Legislature in June, 1979, and many taxing units did not think they could adjust tax rolls before the November deadline. Budgets for the 1979-1980 school year were already developed, and many districts sought to minimize the possible effects on projected revenue.

In some districts, past appraisal efforts may have been politically controlled, and in many rural districts values based on productivity would have been higher than the artificially depressed market values of the past. Land belonging to speculators within the urban fringes has a much higher market
value than productivity value, and some districts wanted to delay granting agricultural use value to these properties for as long as possible. Farm land in districts with extensive revenue from minerals is often assessed at low market value, and some districts may have wished to avoid unneeded political difficulties.

This study makes no attempt to speculate as to the motives of the governing boards which voted to delay granting agricultural special valuation status. In major urban areas, 80 per cent of the reporting districts did take action to delay. This may reflect a need for time to alter large tax rolls, the presence of large tracts of agricultural land with high market or speculative values, or budget pressures to keep revenue as high as possible, in order to address the diverse educational problems of large municipal school districts. Sixty per cent of the districts in the wealthiest category took action to delay. It is well to recall that much of the revenue in this category is generated by oil, gas, and mineral production, and market value of farm lands has been historically depressed and of little consequence to the total revenue collected.

Not all school boards took action to delay granting agricultural use values. The immediate impact of the exemptions was an unknown that was of concern to educators, legislators and taxpayers. Research Questions 2 and 3 were designed to gather information about this issue.
Research Questions 2 and 3

2. If no action was taken to delay the use of agriculture and timber use values or to allow taxation of automobiles, how did these changes affect the districts' revenue?

3. What was the revenue reduction resulting from homestead, elderly, and disabled allowable exemptions?

Research Question 2 has been broken into two parts. One part of the question tracked Article 5 of House Bill 1060 requiring districts to take affirmative action if they were to tax personal automobiles. The districts surveyed reported the information shown in Tables VIII and IX.

House Bill 1060, the enabling legislation for the tax relief amendments, exempted personal automobiles from the property tax base, but allowed governing bodies to take action to tax this property. This wording placed the political burden of the tax upon the local authorities rather than upon the legislature (4).

The personal automobile tax is costly to administer and has a lower collection rate than other forms of property taxes. It is one method of extracting some revenue from taxpayers who own no land, home, or business (1). Only 41 school districts in this study taxed automobiles in 1980, and that number declined to 32 in 1981. This represents a decline from 24 per cent in 1980 to 19 per cent in 1981. The data indicate that the highest percentage of use of this tax is in rural and non-metropolitan areas.

The returned surveys, when studied by wealth per ADA, show that the taxing of automobiles was most common in the
### TABLE VIII


<table>
<thead>
<tr>
<th>H.B. 1060 Provision Investigated</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxing Personal Automobiles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979-1980</td>
<td>1 (20%)</td>
<td>4 (25%)</td>
<td>4 (8.5%)</td>
<td>6 (16.6%)</td>
<td>26 (40.6%)</td>
<td>41 (24%)</td>
</tr>
<tr>
<td><strong>Taxing Personal Automobiles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-1981</td>
<td>1 (20%)</td>
<td>4 (25%)</td>
<td>3 (6.3%)</td>
<td>5 (13.8%)</td>
<td>20 (31.2%)</td>
<td>32 (19%)</td>
</tr>
<tr>
<td>H.R. 1060 Provision Investigated</td>
<td>$285,000 and Over (10)</td>
<td>$150,000-285,999 (27)</td>
<td>$100,000-149,999 (39)</td>
<td>$50,000-99,999 (74)</td>
<td>Under $50,000 (18)</td>
<td>Total (168)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
<td>---------------------</td>
<td>------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Taxing Personal Automobiles 1979-1980</td>
<td>3 (30%)</td>
<td>10 (37%)</td>
<td>14 (35.8%)</td>
<td>14 (18.9%)</td>
<td>0 (0%)</td>
<td>41 (24%)</td>
</tr>
<tr>
<td>Taxing Personal Automobiles 1980-1981</td>
<td>3 (30%)</td>
<td>8 (29.6%)</td>
<td>11 (28.2%)</td>
<td>10 (13.5%)</td>
<td>0 (0%)</td>
<td>32 (19%)</td>
</tr>
</tbody>
</table>

**TABLE IX**

NUMBER AND PERCENTAGE OF REPORTING DISTRICTS WHICH TOOK ACTION TO TAX AUTOMOBILES FOR 1979-1980, 1980-1981 BY WEALTH PER ADA
wealthiest category (30 per cent). The use of automobile tax declined with each sub-category, to zero for the poorest wealth-per-ADA districts (under $50,000 per ADA).

Item 14 of the questionnaire addressed issues raised in Research Questions 2 and 3. "Was revenue lost as a result of implementing House Bill 1060?" Tables X and XI present data showing the actual number and percentages of districts, by designated district type and wealth, which reported a net loss in revenues or net assessed value. Inspection reveals that only 12 (7.14 per cent) of the 168 districts reporting reported a loss in revenue or net assessed value due to House Bill 1060 exemptions.

The exact source of revenue reduction due to homestead, elderly, and disabled allowable exemptions was not available in January and February, 1981, when the questionnaire was returned. The total revenue reductions reported, including loss of automobiles, are reported in Tables X and XI.

"Taxes Reported Cut in 40 Per Cent of the State's School Districts in 1979" (11, p. 5); "Revenue Losses to School Districts in Millions" (8, p. 8); and "Market Study Reflects 41 Per Cent Gain in Taxable Wealth of Districts" (6, p. 4) are each headlines of articles from the State Property Tax Board Statement in 1980. Taken individually, each article would leave a very different impression as to the status of school district revenue generation within the state.
### Table X

**Number and Percentage of Reporting Districts Which Lost Revenue or Net Assessed Valuation Due to Authorized Alterations in Tax Base, By District Type**

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>2 (4.25%)</td>
<td>2 (5.55%)</td>
<td>8 (12.5%)</td>
<td>12 (7.14%)</td>
</tr>
</tbody>
</table>

### Table XI

**Number and Percentage of Reporting Districts Which Lost Revenue or Net Assessed Valuation Due to Authorized Alterations in Tax Base, By Wealth per ADA**

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>3 (30%)</td>
<td>2 (7.4%)</td>
<td>2 (5.12%)</td>
<td>5 (6.75%)</td>
<td>0 (0%)</td>
<td>12 (7.14%)</td>
</tr>
</tbody>
</table>
If allowed to function in isolation, House Bill 1060 was designed to lower the tax base from which property tax for local governments in Texas are calculated. Tables X and XI document the fact that only 7.14 per cent of the reporting districts used in this study lost either total revenue or net assessed property valuation.

Of the twelve districts reporting a revenue loss or loss in net valuation, two specifically list oil and gas depletion as the major reason for the valuation erosion. The two districts in the category of suburban-stable that reported revenue losses experienced a 2.24 per cent and 9.42 per cent increase in the value of House Bill 1060-related exemptions. In one of these districts, state reimbursement was insufficient to offset the loss of net valuation even after the assessment ratio was increased from 60 per cent to 100 per cent and the tax rate adjusted downward from $1.68 per $100 value to $1.25 per $100 valuation.

In one fast-growing suburb, the exemptions for House Bill 1060-related areas increased from $971,986 in 1979-1980 to $34,553,688 in 1981. This increase would seem to be an example of agricultural use valuation by land speculators that did indeed erode the local tax base.

No major urban or central city classification school districts reported revenue or valuation loss. Eight of the twelve districts reporting such losses were in the rural,
non-metropolitan category, which seems to suggest that these reductions might be related to agricultural use values.

Tables XII and XIII present information generated by this study which assists in explaining the opposing results from House Bill 1060 implementation and the apparent discrepancies with the Statement headlines reporting both a 41 per cent gain in school district taxable wealth as well as tax decreases? Since the provisions of House Bill 1060 are only one of many factors affecting the property tax base and school revenues, four other variables were reported—property tax rate and ratio changes, changes in federal funds received by the districts, the changes in state reimbursement for House Bill 1060, and reappraisals and growth of the tax rolls. Data from school districts reporting a loss in revenue or net valuations were not included in these tables.

Changing the tax assessment ratio while holding the tax rate constant is one method of increasing or decreasing tax revenues. Many reporting taxing jurisdictions increased the assessment ratio to 100 per cent as a phase-in measure preparing for compliance in 1982 with Senate Bill 621. Senate Bill 621 was enacted by the Sixty-sixth Legislature as major tax reform legislation, and eliminates the practice of using partial assessment ratios for the purpose of manipulating ad valorem taxes (10). Of the districts surveyed that reported no loss of revenue or net valuation, 46 per cent increased the ratio value on the taxable property within the district.
### TABLE XII

**Summary by Frequency and Percentages of Variables Affecting Texas School District Tax Revenues as Altered Between Taxing Year 1979-1980 and 1980-1981, Reported by District Type (Districts Reporting No Net Valuation or Revenue Loss)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (45)</th>
<th>Suburban-Stable (34)</th>
<th>Non-Metro and Rural (56)</th>
<th>Total (156)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Ratio</td>
<td>0 (0%)</td>
<td>4 (25%)</td>
<td>12 (26.6%)</td>
<td>9 (26%)</td>
<td>21 (37.5%)</td>
<td>46 (29.5%)</td>
</tr>
<tr>
<td>Increased Rate</td>
<td>3 (60%)</td>
<td>6 (37.5%)</td>
<td>11 (24.4%)</td>
<td>7 (20.5%)</td>
<td>5 (8.9%)</td>
<td>32 (20.5%)</td>
</tr>
<tr>
<td>Decreased Rate</td>
<td>2 (40%)</td>
<td>5 (31.2%)</td>
<td>20 (44%)</td>
<td>13 (38%)</td>
<td>30 (53.5%)</td>
<td>70 (44.8%)</td>
</tr>
<tr>
<td>Rate Unchanged</td>
<td>0 (0%)</td>
<td>5 (31.2%)</td>
<td>14 (31%)</td>
<td>14 (41%)</td>
<td>21 (37.5%)</td>
<td>54 (34.6%)</td>
</tr>
<tr>
<td>Federal Funds Increased</td>
<td>4 (80%)</td>
<td>4 (25%)</td>
<td>23 (51%)</td>
<td>11 (32.3%)</td>
<td>27 (48.2%)</td>
<td>69 (44.2%)</td>
</tr>
<tr>
<td>Federal Funds Decreased</td>
<td>1 (20%)</td>
<td>12 (75%)</td>
<td>11 (24.4%)</td>
<td>12 (35.2%)</td>
<td>12 (21.4%)</td>
<td>48 (30.79%)</td>
</tr>
<tr>
<td>Variable</td>
<td>Major Urban (5)</td>
<td>Central City (16)</td>
<td>Suburban-Past Grow (45)</td>
<td>Suburban-Stable (34)</td>
<td>Non-Metro and Rural (56)</td>
<td>Total (156)</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------------</td>
<td>-------------------</td>
<td>------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>No Reported Federal Funds Changed</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>7 (15.5%)</td>
<td>8 (23.5%)</td>
<td>17 (30.3%)</td>
<td>32 (20.5%)</td>
</tr>
<tr>
<td>Do Not Receive Federal Funds</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>4 (8.8%)</td>
<td>3 (8.8%)</td>
<td>0 (0%)</td>
<td>7 (4.4%)</td>
</tr>
<tr>
<td>State 1060 Reimbursement Increased</td>
<td>5 (100%)</td>
<td>15 (93.8%)</td>
<td>38 (84%)</td>
<td>30 (88.2%)</td>
<td>52 (92.8%)</td>
<td>140 (89.7%)</td>
</tr>
<tr>
<td>State 1060 Reimbursement Decreased</td>
<td>0 (0%)</td>
<td>1 (6.2%)</td>
<td>3 (6.6%)</td>
<td>1 (2.9%)</td>
<td>1 (1.7%)</td>
<td>6 (3.8%)</td>
</tr>
<tr>
<td>No Reported Reimbursement Change</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>4 (8.8%)</td>
<td>3 (8.8%)</td>
<td>3 (5.3%)</td>
<td>10 (6.4%)</td>
</tr>
<tr>
<td>Property Values Increased Through Reappraisal</td>
<td>1 (20%)</td>
<td>5 (31.2%)</td>
<td>12 (26.6%)</td>
<td>10 (29.4%)</td>
<td>17 (30.3%)</td>
<td>45 (28.8%)</td>
</tr>
<tr>
<td>Variable</td>
<td>Major Urban (5)</td>
<td>Central City (16)</td>
<td>Suburban-Fast Grow (45)</td>
<td>Suburban-Stable (34)</td>
<td>Non-Metro and Rural (56)</td>
<td>Total (156)</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-----------------</td>
<td>-------------------</td>
<td>-------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Increased Tax Base Due To General Growth</td>
<td>0 (0%)</td>
<td>9 (56.3%)</td>
<td>12 (57.7%)</td>
<td>15 (44.1%)</td>
<td>24 (42.8%)</td>
<td>74 (47.4%)</td>
</tr>
<tr>
<td>Increased Due To Both General Growth and Reappraisal</td>
<td>4 (80%)</td>
<td>1 (6.2%)</td>
<td>7 (15.5%)</td>
<td>7 (20.5%)</td>
<td>4 (7.1%)</td>
<td>23 (14.7%)</td>
</tr>
<tr>
<td>No General Growth but Oil and Mineral Inflation</td>
<td>0 (0%)</td>
<td>1 (6.2%)</td>
<td>0 (0%)</td>
<td>2 (5.8%)</td>
<td>8 (14.2%)</td>
<td>11 (7%)</td>
</tr>
<tr>
<td>Source Unspecified</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>3 (5.3%)</td>
<td>3 (1.9%)</td>
</tr>
</tbody>
</table>
### TABLE XIII

Summary by frequency and percentages of selected variables affecting Texas School District tax revenues as altered between taxing year 1979-1980 and 1980-1981, reported by wealth per ADA subgroups (districts reporting no net valuation or revenue loss)

<table>
<thead>
<tr>
<th>Variable</th>
<th>$286,000-285,999 (7)</th>
<th>$150,000-149,999 (37)</th>
<th>$100,000-99,999 (69)</th>
<th>Under $50,000 (18)</th>
<th>Total (156)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased Ratio</strong></td>
<td>3 (42.8%)</td>
<td>5 (20%)</td>
<td>14 (37.8%)</td>
<td>21 (30.4%)</td>
<td>3 (16.6%)</td>
</tr>
<tr>
<td><strong>Increased Rate</strong></td>
<td>0 (0%)</td>
<td>7 (28%)</td>
<td>6 (16.2%)</td>
<td>17 (24.6%)</td>
<td>2 (11.1%)</td>
</tr>
<tr>
<td><strong>Decreased Rate</strong></td>
<td>5 (71.4%)</td>
<td>10 (40%)</td>
<td>17 (45.9%)</td>
<td>33 (47.8%)</td>
<td>5 (27.7%)</td>
</tr>
<tr>
<td><strong>Rate Unchanged</strong></td>
<td>2 (28.5%)</td>
<td>8 (32%)</td>
<td>14 (37.8%)</td>
<td>19 (27.5%)</td>
<td>11 (61%)</td>
</tr>
<tr>
<td><strong>Increased Federal Funds</strong></td>
<td>5 (71.4%)</td>
<td>18 (72%)</td>
<td>16 (43.2%)</td>
<td>24 (34.7%)</td>
<td>6 (33.3%)</td>
</tr>
<tr>
<td><strong>Decreased Federal Funds</strong></td>
<td>1 (14.2%)</td>
<td>1 (4%)</td>
<td>10 (27%)</td>
<td>25 (36.2%)</td>
<td>11 (61%)</td>
</tr>
<tr>
<td>Variable</td>
<td>$286,000-</td>
<td>$150,000-</td>
<td>$100,000-</td>
<td>$50,000-</td>
<td>Under</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>----------</td>
</tr>
<tr>
<td></td>
<td>and Over</td>
<td>285,999</td>
<td>149,999</td>
<td>99,999</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>(7)</td>
<td>(25)</td>
<td>(37)</td>
<td>(69)</td>
<td>(18)</td>
</tr>
<tr>
<td>No Reported Change--Federal Funds</td>
<td>1 (14.2%)</td>
<td>4 (16%)</td>
<td>11 (29.7%)</td>
<td>15 (21.7%)</td>
<td>1 (4.4%)</td>
</tr>
<tr>
<td>Do Not Receive Federal Funds</td>
<td>0 (0%)</td>
<td>2 (8%)</td>
<td></td>
<td>5 (7.2%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>Increased 1060 Reimbursement</td>
<td>6 (85.7%)</td>
<td>24 (96%)</td>
<td>32 (86%)</td>
<td>62 (89.8%)</td>
<td>16 (88.8%)</td>
</tr>
<tr>
<td>Decreased 1060 Reimbursement</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>2 (5.4%)</td>
<td>3 (4.3%)</td>
<td>1 (5.5%)</td>
</tr>
<tr>
<td>No Reported Reimbursement Change</td>
<td>1 (14.2%)</td>
<td>1 (4%)</td>
<td>3 (8%)</td>
<td>4 (5.7%)</td>
<td>1 (5.5%)</td>
</tr>
<tr>
<td>Increased Property Value Reappraisal</td>
<td>1 (14.2%)</td>
<td>9 (36%)</td>
<td>9 (24.3%)</td>
<td>19 (27.5%)</td>
<td>7 (38.8%)</td>
</tr>
<tr>
<td>Increased Property Value Gen. Growth</td>
<td>5 (71.4%)</td>
<td>8 (32%)</td>
<td>21 (56.7%)</td>
<td>35 (50.7%)</td>
<td>5 (27.7%)</td>
</tr>
<tr>
<td>Variable</td>
<td>$286,000 and Over (7)</td>
<td>$150,000-285,999 (25)</td>
<td>$100,000-149,999 (37)</td>
<td>$50,000-99,999 (69)</td>
<td>Under $50,000 (18)</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------</td>
<td>-----------------------</td>
<td>----------------------</td>
<td>---------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Increased Due to Reappraisal &amp; General Growth</td>
<td>0 (0%)</td>
<td>2 (8%)</td>
<td>3 (8%)</td>
<td>13 (18.8%)</td>
<td>5 (27.7%)</td>
</tr>
<tr>
<td>Increased Due to Oil &amp; Mineral Growth</td>
<td>0 (0%)</td>
<td>6 (24%)</td>
<td>3 (8%)</td>
<td>1 (1.4%)</td>
<td>1 (5.5%)</td>
</tr>
<tr>
<td>Source of Increase Unspecified</td>
<td>1 (14.2%)</td>
<td>0 (0%)</td>
<td>1 (2.7%)</td>
<td>1 (1.4%)</td>
<td>0 (0%)</td>
</tr>
</tbody>
</table>
Rural districts have historically maintained partial assessment ratios (7). Of the reporting districts, 37.5 per cent in the non-metropolitan rural category increased the assessment ratio.

An increase in the assessment ratio, coupled with preferential assessment of farm property, may result in a shift in the tax burden from other classes of property to homesteads. Because the individual family dwelling is the most frequently sold class of property normally contained on tax rolls, it is the most easily appraised. With all property on the rolls at 100 per cent market value, the appraisal methods used in the past to keep homes at a politically tolerable and economically feasible level of taxation were removed. To compensate somewhat for this shift, every district that reported an increase in ratio for this study also reported a reduction in the tax rate. Other districts also reduced their rate, many because of increases in the net valuation from reappraisals and growth. Of the reporting districts, 44.8 per cent reduced the tax rate. This corresponds closely to the Statement headline declaring "Taxes Reported Cut in 40 Per Cent of the State's School Districts in 1979" (11, p. 9). As this study indicates, a tax cut does not necessarily mean a revenue cut. Other variables may have been altered to generate additional revenues, and although 44.8 per cent of the reporting districts decreased the tax rate, only 7.14 per cent of the reporting districts actually report
revenue or net valuation decreases. Lower assessed values on farm property were offset by increased assessment ratios, adjusted rates, and growth in most rural and non-metro areas. A similar study in Florida reported that increases in tax rates resulting from differential assessments had been slight: less than 2 per cent in 13 counties. Only one Florida county reported a tax rate increase exceeding 25 per cent after granting differential assessments to agriculture land (2, p. 258). The data, as reported by wealth per ADA categories, show a decrease in tax rate in 71.4 per cent of the wealthiest districts, but only 27.7 per cent of the poorest districts reported a tax rate decrease.

The effects of federal funds on the total revenue of school districts is one variable that was included in this study. An increase in federal funds in 1980-1981 was reported by 44.2 per cent of the districts in this study. Eighty per cent of the major urban districts reported an increase. This may be indicative of the categorical nature of the grants and of the existence of grant procuring personnel available in large districts. When examining the increase in federal funds by wealth per ADA, 71.4 per cent of the wealthiest districts reported an increase, in contrast to 33.3 per cent of the poorest. In this study, as the wealth of the district increases, so do the number of districts which report an increase in federal funds.
Of the districts reporting, 30.79 per cent indicated that there had been a decrease in federal funds. With the current administration's concern with budget reductions, the dependency on future federal funds is even more uncertain.

The reimbursement funds for House Bill 1060 for 1980-1981 may have created a political problem in some districts. Of the reporting districts, 89.7 per cent had an increase in reimbursement revenues from the 1979-1980 to 1980-1981 figures. "Revenue Losses to School Districts in Millions" (8, p. 8) would be a truthful headline if consideration were only given to reported losses of revenue due to homestead, timber and agriculture productivity, and personal automobile exemptions, with no consideration of growth, reappraisals, changes in assessment ratios, rates, or reimbursement.

The legislature had allocated reimbursement funds for only two years. Because many districts, 51.7 per cent as reported by this study, delayed granting agriculture value until 1980-1981, there was a large surplus of total allocated funds. Districts had been instructed to budget on the basis of 55 per cent reimbursement for revenues lost to House Bill 1060 implementation (homestead, timber and agriculture productivity values, personal automobile exemptions, and homestead values frozen for citizens over sixty-five years of age). The state, in actuality, reimbursed at approximately 90 per cent. Districts which had reappraised, increased tax ratios, increased tax rates, or altered programs to compensate
for House Bill 1060 losses may have produced politically negative situations when they in fact received a 35 per cent windfall from state reimbursement. District superintendents were told to treat these funds as a one-time windfall, and the public might remain unaware of them (1). The legislature did, in fact, make reimbursement funds a basic part of the state's aid to education in 1981 by the wording of legislation appropriating educational funds. Senate Bill 180, as adopted in 1981, authorizes the legislature to set the funding levels for various components of public school finance in the General Appropriations Act. It also specifies that "no school district may receive less state aid per student, plus pay raises for foundation personnel, than received in 1980-1981 under the total foundation school program payment plus reimbursement through Education Code Chapter 20, Chapter D" (9, p. 3).

A common and perhaps most politically troublesome technique for increasing the total taxable wealth of districts resulted from reappraisals or general growth combined with general reappraisal. It is at this point that House Bill 1060 and Senate Bill 621 interact to compound the problems of tax relief, tax reform, and school finance. Senate Bill 621 will abolish the appraisal function of over 2,000 taxing jurisdictions by creating the County Appraisal Board in each of the 254 counties. The Appraisal Board is charged with uniformly appraising all property in each county by
January 1, 1982. Of the reporting districts, 28.8 per cent increased property values in their districts through reappraisals.

In districts such as Dallas, Corpus Christi, and Victoria, massive reappraisals resulted in increases: for some classes of property, of 200 per cent to 400 per cent. The single-family homeowner was the taxpayer upon whom the greatest tax burden fell (14, p. 2). Reapraisals acted as a political catalyst which set into motion a series of political responses as reported in this study in relation to Research Question 7 regarding organized taxpayer activities.

Growth of oil and gas revenues was reported in 7 per cent of the districts. An oil and gas revenue increase was reported by 14.2 per cent of the rural and non-metropolitan school districts. The wealthiest per-ADA category had no districts which reported oil and mineral growth, but 71.4 per cent of the reporting districts in this category reported increased property values due to general growth. Of those districts reporting losses in revenue or net assessed value, two attribute the loss to oil and gas reserve depletion.

Although House Bill 1060 was passed as a tax relief measure, it has not been effective in cutting taxes for many of the intended parties. Homeowners have benefited little from the homestead exemption because inflation and reappraisals negated the $5,000 exemption provided by House Bill 1060. The actual shift in the incidence of the property tax depends
on the composition of the tax base in each local jurisdiction. In areas with only a small amount of farm property, the value of the farm land may have been dramatically reduced, but the taxes on other property rose only slightly because the farm tax reduction was spread over a large number of non-farm property owners. The reports from stable suburban areas seemed to demonstrate the phenomenon of the hidden tax shift in areas with limited farm property, since 38 per cent of these districts were able to decrease the tax rate, 41 per cent made no change, and yet only 26.6 per cent increased the assessment ratio to offset these tax rate decreases.

Homestead exemptions in large number may shift the tax burden to business property. Texas is fortunate in that many of its urban, central city, and suburban districts are experiencing general growth that enables the tax base to expand without major adjustments in rate and ratio of non-exempt categories of property.

Tax experts agree that state-imposed tax relief should be financed at the state level (2, p. 2). When House Bill 1060 was adopted, the state legislature appropriated reimbursement funds to help offset adverse effects on local districts.

Research Question 4

4. To what extent have school districts been reimbursed by the state for revenues lost through tax relief legislation?
Data assembled as part of this study indicate that tax relief was only one of numerous variables affecting district revenues. It is documented in Table X that only twelve of the reporting districts had any decrease in either net value of property or local tax revenues. The Texas Education Agency had instructed school districts to budget for state reimbursement payments of 50 per cent of the revenue lost to House Bill 1060 exemptions for 1981. The total actual reimbursement for 1981 totaled approximately 90 per cent for most school districts (1). In Tables XII and XIII, reporting districts show that 89.7 per cent received more state reimbursement in 1980-1981 than in 1979-1980. Only six of the 156 districts reporting no net revenue loss received less state reimbursement than they had received the previous year.

The immediate effect of tax relief implementation has not been revenue loss. The intervention of other factors such as growth, ratio and rate changes, and federal aid has compensated for property removed or reduced on the tax rolls. Although most school districts collected as much or more revenue in 1980-1981 as in 1979-1980, the tax burden may have shifted from certain properties, such as farm land, to residences and business property. This shift will become increasingly important if the state discontinues the reimbursement in 1981-1982. The state, in House Bill 180, did not in fact discontinue revenues equal to reimbursement paid school districts in 1980-1981 but merged the monies into the general state aid
to schools (9). Cost to the taxing unit of differential assessments, as for farm land, are not constant but will grow with time as the difference between market values and use values grows greater. The cost to the taxing unit of fixed exemptions as allowed in homesteads, however, will decrease with time as increasing market values negate the effect of a fixed amount subtracted from the escalating assessed value.

Maintaining an adequate level of service provision is always of concern to educators. In times of higher inflation, it is difficult to maintain the current level of programming without adding revenue. It becomes critical when measures are mandated that might reduce revenue.

Research Question 5

5. Have school districts been forced to raise taxes or do they anticipate a tax increase in 1981 in order to maintain adequate funding to address the educational demands of their constituents?

Superintendents responded to this question by reporting whether or not educational functions would be altered if revenues from available sources were not increased in 1981-1982. If functions were to be altered, they rated the desirability of a series of possible alternatives. Tables XIV and XV summarize the distribution of the 141 responses that anticipate program adjustments unless additional revenues are generated. Research Question 6 addresses the issue of adjustments specifically. The responses to Research
TABLE XIV
SUPERINTENDENTS RESPONDING AFFIRMATIVELY THAT NEW REVENUE WOULD BE NECESSARY TO PREVENT EDUCATIONAL PROGRAM REDUCTIONS FOR 1981-1982 BY TEA DESIGNATED DISTRICT TYPE

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>5 (100%)</td>
<td>15 (93.7%)</td>
<td>34 (72.34%)</td>
<td>31 (86%)</td>
<td>56 (87.5%)</td>
<td>141</td>
</tr>
</tbody>
</table>

TABLE XV
SUPERINTENDENTS RESPONDING AFFIRMATIVELY THAT NEW REVENUE WOULD BE NECESSARY TO PREVENT EDUCATIONAL PROGRAM REDUCTIONS FOR 1981-1982 BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>8 (80%)</td>
<td>22 (81.4%)</td>
<td>31 (79.4%)</td>
<td>66 (89%)</td>
<td>14 (77%)</td>
<td>141</td>
</tr>
</tbody>
</table>
Question 10 as documented in Tables XXIV and XXV also address the issue of providing revenue for the schools.

Major urban and central cities were most concerned about reducing programs as reported in this study, although there was a large affirmative response across the sample. Revenue problems were exacerbated in urban and central cities by the demand and need for a variety of expensive services to be supported from an often stable or even declining tax base.

Three superintendents from growing suburban areas each wrote additional comments predicting no need for a tax increase although the community demanded a variety of costly programs. Perhaps the areas' growth built in sufficient tax base expansion to provide a high level of services at the current tax rate and assessment level.

There might appear to be some disparity between the data reported in response to Question 4, documenting very limited revenue loss for 1980-1981, and the large number of superintendents responding affirmatively to Question 5, that new revenues would be necessary to prevent educational program reductions. This may be indicative of several trends influencing superintendents' responses. The continuing escalation of expenses due to inflation, the demands of staff for large salary increases, reductions in federal aid, political pressure from home owners to maintain or reduce property taxes, and the loss of state reimbursement funds are all realities that may
have contributed to the conservative responses given by many superintendents. When revenue reductions are transformed into reality, program and staff reductions result. Superintendents were asked to respond to a series of possible targets for service reductions.

Research Question 6

6. If revenues were adversely affected, what educational reductions or adjustments would be made?

Respondents were asked to rate a series of ten educational areas that are a function of the district's budget, from most desirable (5) to least desirable (1) for reduction. The areas included the following: (a) number of course offerings, (b) athletics, (c) personnel (administrators), (d) personnel (support personnel), (e) personnel (classroom teachers), (f) transportation, (g) class size, (h) special education programs, (i) vocational education, and (j) instructional materials.

Figures 3 and 4 summarize the responses item by item. The mean of the responses in each sub-category is charted for each function. The raw data are included as Appendix C and D.

Superintendents in major urban districts reported that reductions of personnel, instructional materials, and the number of courses offered were the favored functions to be reduced if revenue is reduced. Urban areas were the most
A. Reduce Number of Courses

B. Reduce Athletics

C. Reduce Administrative Personnel

D. Reduce Support Personnel

District Type:
1 = Major Urban
2 = Central City
3 = Suburban-Fast Growing
4 = Suburban-Stable
5 = Rural-Non-Metropolitan

E. Reduce Teachers
Fig. 3--Superintendents' rating of ten educational functions deemed most desirable to reduce if revenue declines; averaged by T.E.A. designated District Type.
A. Reduce Number of Courses

B. Reduce Athletics

C. Reduce Administrative Personnel

D. Reduce Support Personnel

E. Reduce Teachers

District Wealth per ADA:
1 = $286,000-Up
2 = $150,000-285,999
3 = $100,000-149,999
4 = $50,000-99,999
5 = Under $50,000
Fig. 4--Superintendents' rating of ten educational functions deemed most desirable to reduce if revenue declines; reported as average by Wealth per ADA.

District Wealth
per ADA:
1 = $286,000-Up
2 = $150,000-285,999
3 = $100,000-149,999
4 = $50,000-99,999
5 = Under $50,000
willing of all sub-categories to reduce vocational courses and one of the least willing to reduce athletics.

Transportation, special education and class size appear to be variables protected by legislation or popular demand. Superintendents seem to accept them as protected, basic functions. Several wrote comments about not liking the expense of special education but they regard it as a given. Class size seems to be an issue politically protected by parental demand.

Rural district superintendents rated administrative reductions as a low choice for reduction. This may reflect their dependency on the minimum foundation personnel units and absence of administrative bureaucracy that many think exist in larger systems. Rural schools were the most willing to reduce athletics. A future study might examine the influence and public demand for strong football programs in school districts indicating a desire not to reduce athletics.

Superintendents from suburban stable districts reported the greatest willingness to reduce teachers. This district type may be the most likely to enrich school budgets with extra local funds; thus they may have the largest number of teachers and the most flexibility in this area. The comments added by superintendents from both suburban district types indicate a demand from constituents for a variety of programs, even if this required higher taxes.
The data as reported by wealth per ADA, in Figure 4, show wealthy districts as unresponsive to reductions. Only reductions in athletics and increasing class size reflect a mean of greater than a three. Wealthy districts may not be under political pressure to reduce services; in fact, they may be encouraged politically to maintain a high level of services. The superintendents responding from the poorest districts would increase class sizes, with a corresponding reduction in teachers, and reduce support personnel and athletics. The graphs for both special education and vocational programs (Figure 4; H and I) show the trend for reduction as greater as one moves from wealthy to poor districts.

Reducing the level of local government spending is one way to grant across-the-board tax relief. It is seldom used. Expenditures and services are very difficult to reduce. Constituents become accustomed to a given level of service and some interest group will often rally to protect its favorite service. Athletics has historically been one of those services that educators might prefer to reduce, but is historically protected by the public.

In periods of inflation, maintaining past levels of service is difficult. Although superintendents reported that services would be reduced unless revenues were increased, past experiences indicate that most would seek tax increases or greater state aid rather than reduce actual service.

In Figures 5 and 6, which are related to Research Question 10,
superintendents' responses show that cutting programs is the second least desirable alternative for solving revenue problems. Although they responded to the questionnaire which asked about possible service reductions, the data indicate that they would probably seek all other proposed alternatives, except additional federal funds, before supporting program reductions.

Superintendents were asked to examine the political climate of their districts. A question in the survey instrument was designed to solicit their responses as they relate to Research Question 7.

Research Question 7

7. Have there been organized taxpayer efforts or appeals to the school board for further tax relief measures?

The Easton systems model for examining the complex process for public policy formation, feedback-demands or supports as they relate to a given educational issue, was used (12, p. 15). Tables XVI and XVII record the responses of superintendents reporting political feedback related to property tax relief issues. Thompson's flow chart, which delineates the cumulative process by which political forces intensify to effect policy formation in education, was used as the model for gathering the information recorded in Tables XVIII and XIX (12, p. 16).
### TABLE XVI

SCHOOL DISTRICTS REPORTING POLITICAL ACTIVITY OR TAXPAYER COMPLAINTS RELATED TO H.B. 1060 IMPLEMENTATION REPORTED BY DISTRICT TYPE

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>1 (20%)</td>
<td>9 (56%)</td>
<td>15 (32%)</td>
<td>16 (44%)</td>
<td>27 (42%)</td>
<td>68 (40.4%)</td>
</tr>
</tbody>
</table>

### TABLE XVII

SCHOOL DISTRICTS REPORTING POLITICAL ACTIVITY OR TAXPAYER COMPLAINTS RELATED TO H.B. 1060 IMPLEMENTATION REPORTED BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>6 (60%)</td>
<td>11 (40.7%)</td>
<td>18 (46%)</td>
<td>27 (39%)</td>
<td>4 (33%)</td>
<td>68 (40.4%)</td>
</tr>
</tbody>
</table>
TABLE XVIII

CATEGORY OF POLITICAL ACTIVITY REPORTED BY TEXAS SUPERINTENDENTS RELATED TO H.B. 1060 IMPLEMENTATION BY TEA DESIGNATED DISTRICT TYPES

<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (1)*</th>
<th>Central City (9)*</th>
<th>Suburban-Fast Grow (15)*</th>
<th>Suburban-Stable (16)*</th>
<th>Non-Metro and Rural (27)*</th>
<th>Total (68)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal Complaints</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>1</td>
<td>8</td>
<td>15</td>
<td>14</td>
<td>27</td>
<td>65</td>
</tr>
<tr>
<td>Formal Complaints</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>1</td>
<td>2</td>
<td>9</td>
<td>6</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>Organized Pressure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groups</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Lawsuits</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>13</td>
</tr>
</tbody>
</table>

*Total number of districts per subgroup reporting complaints related to H.B. 1060 implementation.
<table>
<thead>
<tr>
<th>Variable</th>
<th>$286,000 and Over (6)*</th>
<th>$150,000-285,999 (11)*</th>
<th>$100,000-149,999 (18)*</th>
<th>$50,000-99,999 (27)*</th>
<th>Under $50,000 (6)*</th>
<th>Total (68)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal Complaints</td>
<td>6</td>
<td>11</td>
<td>18</td>
<td>24</td>
<td>6</td>
<td>65</td>
</tr>
<tr>
<td>Individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal Complaints</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>26</td>
</tr>
<tr>
<td>Individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organized Pressure</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawsuits</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>13</td>
</tr>
</tbody>
</table>

*Total number of districts per subgroup reporting complaints related to H.B. 1060 implementation.
Of the responding districts, 40.4 per cent reported some type of negative political feedback related to property tax relief measures. School districts in the central city category reported the highest percentage, with stable suburban districts showing the second highest percentage. An investigation of the source of these inputs would be worthwhile.

Six superintendents responding to the questionnaire wrote additional comments expressing anxiety about full implementation of Senate Bill 621 and its county-wide 100 per cent valuation requirements. A follow-up study of this variable would not be possible until 1982. Vocal political reactions in Dallas, Corpus Christi and Victoria, all of which implemented these practices in 1980-1981, may serve as a forecast for other districts.

House Bill 1060 was only the first in a series of property tax relief and reform measures which are already policy realities but whose effects have not yet fully reached the taxpayer. Citizens in the wealthiest school districts took the time and effort to react to the charges resulting from tax relief implementation. Tax reform may serve as a catalyst for additional future political activity.

Over half of the reporting central city districts reported some negative political response to tax relief issues. Three of the nine districts reported lawsuit-level activity. Central cities house both elderly and poor in
relatively large numbers. The phenomenon of municipal over-
burden may have been another factor contributing to the high
level of political activity in central city districts.

Stable suburban superintendents also reported considerable political action and formal enactment-stage activity, with four districts reporting lawsuits. From comments added by superintendents, it is known that at least three of these lawsuits were related to unequal assessment of property within the districts.

The passage of a capital improvement bond program is one measure often used as a symbol of public support for education. Superintendents are careful to examine the political climate of the district before attempting to hold a bond election. Research Question 8 addresses this issue.

Research Question 8

8. Have bond programs been affected or delayed because of the current tax environment?

The ability to pass a capital improvement bond issue is traditionally used as a measure of support for the public school system and symbolizes confidence in the administration. Tables XX and XXI summarize responses of surveyed Texas public school superintendents related to capital improvement bond elections held from 1979 to 1981. If the voters
TABLE XX

SUMMARY OF REPORTED CAPITAL BOND ACTIVITY IN TEXAS SCHOOL DISTRICTS
1979-1981 BY DISTRICT TYPE

<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Election in Past Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 (18.75%)</td>
<td>15 (31.9%)</td>
<td>5 (13.8%)</td>
<td>12 (18.75%)</td>
<td>35 (20.8%)</td>
<td></td>
</tr>
<tr>
<td>Bonds Approved—Per Cent of</td>
<td>2 (66%)</td>
<td>15 (100%)</td>
<td>5 (100%)</td>
<td>10 (83%)</td>
<td>32 (91.4%)</td>
<td></td>
</tr>
<tr>
<td>Attempted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Election Delayed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because of Negative Political</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate</td>
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<td></td>
</tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10 (5.9%)</td>
</tr>
</tbody>
</table>
TABLE XXI

SUMMARY OF REPORTED CAPITAL BOND ACTIVITY IN TEXAS SCHOOL DISTRICTS
1979-1981 BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>Variable</th>
<th>$286,000 and Over (5)</th>
<th>$150,000-285,999 (16)</th>
<th>$100,000-149,999 (47)</th>
<th>$50,000-99,999 (36)</th>
<th>Under $50,000 (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Election in Past Year</td>
<td>8 (5%)</td>
<td>8 (17%)</td>
<td>16 (44%)</td>
<td>3 (4.6%)</td>
<td>35 (20.8%)</td>
<td></td>
</tr>
<tr>
<td>Bonds Approved--Per Cent of Attempted</td>
<td>7 (87%)</td>
<td>7 (87%)</td>
<td>15 (93%)</td>
<td>3 (100%)</td>
<td>32 (91.4%)</td>
<td></td>
</tr>
<tr>
<td>Bond Election Delayed Because of Negative Political Climate</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>10 (5.9%)</td>
<td></td>
</tr>
</tbody>
</table>
are willing to support an indebtedness, it is generally assumed that they accept the current services as satisfactory.

Suburban school districts in this study had no problems getting voter approval for capital improvements. Urban and rural school districts reported delaying bond elections because of perceived negative political environments. Although 91.4 per cent of all attempted bond elections were approved, only 20.8 per cent of the reporting districts conducted a capital bond election within the past two years. This may reflect a "wait and see" approach in some school districts. The board and superintendent may prescribe a negative voter trend in the district. This delay may also reflect the declining enrollments in some districts.

Issues which may seem unrelated to finance often have a bearing on the public's response to school budgets. The public's basic perceptions of the educational product and of the competency of the management are very important factors in the overall political environment as it affects decision makers at state and local levels.

Research Question 9

9. Are there concerns or issues related to the current educational system that superintendents identify as major causes of taxpayers' negative reactions to school finance or which may affect decisions to be made by future legislatures?

Surveyed superintendents were asked to define political feedback in their districts related to the following six
educational issues: (a) school management practices; (b) student test scores; (c) desegregation; (d) teacher competency; (e) mandatory programs; and (f) perceived tax inequities to homeowners.

The feedback may have come in the form of complaints to the board, lawsuits, letters to the superintendent, or efforts of community organizations to address the issues. Tables XXII and XXIII summarize the responses.

If negative feedback can be used as an indicator, TEA-designated urban school districts have major problems. In the reporting districts (and five of the six urban districts in the state responded to this survey), the public has expressed concern about all of the six educational issues. Only state and federally mandated programs were seen as a concern in fewer than 50 per cent. Negative political feedback related to teacher competency, student test scores, and perceived inequities for homeowners were reported in 80 per cent of the districts. This response would seem to show widespread dissatisfaction with the public school system in these districts. This may be reflected, as noted in Table XX, in the lack of bond elections in urban districts during the past two years.

Suburban schools, both fast-growing and stable, reported no negative feedback on the six issues in 65 per cent of the reporting districts. In rural areas, concern about teacher competency, student test scores, and homeowner inequities was not reported in 60 per cent of the districts.
TABLE XXII

ISSUES GENERATING PUBLIC FEEDBACK OF A NEGATIVE NATURE AS REPORTED BY SUPERINTENDENTS
FROM SURVEYED TEXAS SCHOOL DISTRICTS 1980-1981 BY DISTRICT TYPE

<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Management Practices</td>
<td>3 (60%)</td>
<td>4 (25%)</td>
<td>10 (21%)</td>
<td>13 (36%)</td>
<td>12 (19%)</td>
<td>42 (25%)</td>
</tr>
<tr>
<td>Student Test Scores</td>
<td>4 (80%)</td>
<td>8 (50%)</td>
<td>11 (23%)</td>
<td>13 (36%)</td>
<td>23 (40%)</td>
<td>59 (35%)</td>
</tr>
<tr>
<td>Desegregation</td>
<td>3 (60%)</td>
<td>8 (50%)</td>
<td>1 (12%)</td>
<td>1 (2%)</td>
<td>13 (7.7%)</td>
<td>13 (7.7%)</td>
</tr>
<tr>
<td>Teacher Competency</td>
<td>5 (100%)</td>
<td>12 (75%)</td>
<td>7 (15%)</td>
<td>8 (22%)</td>
<td>23 (40%)</td>
<td>55 (32.7%)</td>
</tr>
<tr>
<td>Manditory Programs</td>
<td>2 (40%)</td>
<td>9 (56%)</td>
<td>10 (21%)</td>
<td>9 (25%)</td>
<td>16 (25%)</td>
<td>46 (27%)</td>
</tr>
<tr>
<td>Perceived Inequities to Homeowners</td>
<td>4 (80%)</td>
<td>7 (43%)</td>
<td>16 (34%)</td>
<td>10 (27%)</td>
<td>23 (40%)</td>
<td>60 (35.7%)</td>
</tr>
<tr>
<td>Variable</td>
<td>$286,000 and Over (10)</td>
<td>$150,000-285,999 (27)</td>
<td>$100,000-149,999 (39)</td>
<td>$50,000-99,999 (74)</td>
<td>Under $50,000 (18)</td>
<td>Total (168)</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------------------</td>
<td>-----------------------</td>
<td>----------------------</td>
<td>------------------</td>
<td>--------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>School Management Practices</td>
<td>2 (20%)</td>
<td>7 (30%)</td>
<td>16 (41%)</td>
<td>13 (18%)</td>
<td>4 (22%)</td>
<td>42 (25%)</td>
</tr>
<tr>
<td>Student Test Scores</td>
<td>3 (30%)</td>
<td>5 (19%)</td>
<td>18 (46%)</td>
<td>28 (38%)</td>
<td>5 (27%)</td>
<td>59 (35%)</td>
</tr>
<tr>
<td>Desegregation</td>
<td>1 (3.7%)</td>
<td>4 (10%)</td>
<td>8 (11%)</td>
<td></td>
<td>13 (7.7%)</td>
<td></td>
</tr>
<tr>
<td>Teacher Competency</td>
<td>3 (30%)</td>
<td>9 (33%)</td>
<td>16 (41%)</td>
<td>19 (26%)</td>
<td>8 (44%)</td>
<td>55 (32.7%)</td>
</tr>
<tr>
<td>Mandatory Programs</td>
<td>3 (30%)</td>
<td>4 (15%)</td>
<td>8 (21%)</td>
<td>26 (35%)</td>
<td>5 (27%)</td>
<td>46 (27%)</td>
</tr>
<tr>
<td>Perceived Inequities to Homeowners</td>
<td>4 (40%)</td>
<td>8 (30%)</td>
<td>12 (31%)</td>
<td>27 (36%)</td>
<td>9 (50%)</td>
<td>60 (35.7%)</td>
</tr>
</tbody>
</table>
Suburban, fast-growing school districts report very little concern about teacher competency (15 per cent) and desegregation (12 per cent). Stable suburban districts and rural areas appear to have been removed from the desegregation issue altogether, with only 2 per cent reporting feedback related to this issue in suburban districts. There was no reported negative feedback from rural districts on this issue.

Overall, teacher competency, student test scores, and perceived inequities to homeowners would appear to be problem areas most likely to create political activity for educators in the immediate future. In the poorest districts, 50 per cent reported concern expressed by homeowners about tax inequities. However, 90 per cent of the major urban and 40 per cent of the wealthiest districts reported homeowners’ feedback. In the major urban districts and the wealthiest districts there were some reappraisals (20 per cent and 14 per cent, respectively), but these would not account completely for the very high percentage of homeowner activity. These figures may reflect concerns with overall cost of homeowner-ship. The school district tax is one accessible target for this concern.

Research Question 10 again focused on superintendents’ preferences for funding education. The National Education Association has proposed that schools be financed equally by the federal, state, and local government. This would increase
the role of the federal government in the funding process. Theoretically, it could help equalize education funding between wealthy and poor states. This was one funding structure which superintendents were asked to rate. They were also asked to rate other revenue-producing alternatives.

Research Question 10

10. Have other sources of state funding partially compensated the district for funds lost to tax relief exemptions? Does the superintendent favor a different structure for funding schools?

The first part of Question 10 is addressed by Research Question 4 and the data are reported in Tables XII and XIII. As reported, only twelve of the surveyed districts experienced loss of real revenue for 1980-1981. Revenue lost to tax relief exemptions was recovered from either additional state allocations or additional federal funds, or through adjustments to the local property tax structure.

Tables XXIV and XXV and Figures 5 and 6 summarize the superintendents' responses regarding proposed alternatives for funding public education. Table XXIV and XXV report superintendents' responses related to the National Education Association's proposition that schools be financed equally by federal, state, and local revenue.

The responses seemed to indicate a high level of negative reaction to the National Education Association's proposition for funding public schools. This may reflect strong negative reaction to federal funding. Even the
### TABLE XXIV

RESPONDING SUPERINTENDENTS WHO FAVOR TEA PLAN FOR PUBLIC SCHOOL FINANCE OF 33 PER CENT LOCAL, 33 PER CENT STATE, AND 33 PER CENT FEDERAL BY TEA DESIGNATED DISTRICT TYPES

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>Major Urban (5)</th>
<th>Central City (16)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>0 (10%)</td>
<td>2 (12.5%)</td>
<td>5 (10.6%)</td>
<td>4 (11%)</td>
<td>6 (9%)</td>
<td>17 (10.1%)</td>
</tr>
</tbody>
</table>

### TABLE XXV

RESPONDING SUPERINTENDENTS WHO FAVOR TEA PLAN FOR PUBLIC SCHOOL FINANCE OF 33 PER CENT LOCAL, 33 PER CENT STATE, AND 33 PER CENT FEDERAL BY WEALTH PER ADA SUBGROUP

<table>
<thead>
<tr>
<th>Districts Responding</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
<th>Total (168)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Per Cent)</td>
<td>1 (1%)</td>
<td>2 (7%)</td>
<td>5 (12.8%)</td>
<td>9 (5%)</td>
<td>0 (0%)</td>
<td>17 (10.1%)</td>
</tr>
</tbody>
</table>
A. Raise Taxes Through New Appraisals

B. Raise Taxes Through New Tax Rate

C. Maintain Current Tax Status and Cut Services if Necessary

D. Seek New Sources of State Funding

E. Seek New Sources of Federal Funding

District Type:
1 = Major Urban
2 = Central City
3 = Suburban-Fast Growing
4 = Suburban-Stable
5 = Rural-Non-Metropolitan

Fig. 5--Superintendents' responses of most desirable alternatives available to generate revenue for public school systems; by T.E.A. designated District Type.
A. Raise Taxes Through New Appraisals

B. Raise Taxes Through New Tax Rate

C. Maintain Current Tax Status and Cut Services if Necessary

D. Seek New Sources of State Funding

E. Seek New Sources of Federal Funding

District Wealth per ADA:
1 = $286,000-Up
2 = $150,000-285,999
3 = $100,000-149,999
4 = $50,000-99,999
5 = Under $50,000

Fig. 6—Superintendents' responses of most desirable alternatives available to generate revenue for public school systems; by Wealth per ADA.
poorest districts did not support this scheme, although their reasons may have been based on the desire to lower the local burden rather than lack of enthusiasm for federal support. In Figure 6E, the very low mean across the survey of superintendents' responses related to increased federal funding lended further support to the premise that many Texas school superintendents whose districts may have utilized the greatest amount of federal aid were the most negative toward seeking new sources of federal funding.

Superintendents were asked to rank their preferences from 5 (most desirable) to 1 (least desirable) as to the desirability of the following proposed alternatives for generating revenue for public school systems: (a) raise taxes through new appraisals; (b) raise taxes through new tax rate; (c) maintain the current tax status and cut services if necessary; (d) seek new sources of state funding; and (e) seek new sources of federal funding.

Figure 5, A-F, records the mean average of responses by sub-categories in district type, and Figure 6, A-F, records by wealth per ADA. The raw frequencies are found in Appendices E and F.

New sources of state funding were the most highly rated alternatives for additional revenue in all categories. Superintendents seemed hesitant to assume additional responsibility for revenue at the local level. They also did not support service reduction as an alternative.
The trend toward state funding is not new. State funding for the Foundation School Program has been increasing with each legislative session. Statewide, the average state share of the regular Foundation School Program per refined ADA increased from $839 in 1978-1979 to $1,025 in 1980-1981. The local share per refined ADA was $138 in 1978-1979 and $137 in 1980-1981 (13). Increased state or federal aid to local governments is one of the basic methods utilized for property tax relief. The responding superintendents' rather negative responses toward increasing property taxes, as reported in Figures 5B or 6B, when combined with the overwhelmingly positive response to state funding, as reported in Figures 5D and 6D, leave little doubt that the demands for property tax relief have been heard. It might be thought that there would be a desire to pass the cost of education to the federal government, but Figures 5E and 6E and Tables XXIV and XXV document the strong resistance of superintendents surveyed to increased federal funding.

The state became more involved with local school financial issues in order to equalize educational opportunities for students. Disparities of need still exist in 1981; the problems of the property taxpayer are also very real. School budgets get caught in the middle. Greater reliance on state funds provides an attractive alternative for many superintendents. The issue then becomes the source of the state funds. Texans take pride in the fact that as of 1981, the state has
no personal nor corporate state income tax (14). In the past, this has remained a political sacred cow, untouchable as a viable proposal. If superintendents are to have their way, this or some other broad base of state revenue will have to be explored.

Property tax relief invariably has its costs. Superintendents who advocate a shift in the tax burden must also look at the political consequences of feasible alternatives.

Research Question 11

11. What, if any, has been the effect of tax relief on formal employee organization efforts in Texas school districts? Which, if any, category of personnel would be reduced if funds are not available to maintain the current employment level?

Information obtained relative to the first part of Question 11 was supplied by many respondents in such a manner as to be essentially uninterpretable. It would appear as if the issue of tax relief is of such a fluid nature that investigative correlation between tax relief and employee organizations would require a separate study.

The second part of this question was addressed and reported with Question 6, in Figures 3 and 4. Responding superintendents would consider support personnel reductions first. In urban and central cities, administrative personnel would be reduced before teachers. In stable suburban districts and rural areas, teaching staffs would be reduced before cuts were made in administrative ranks. The poorest
districts would reduce administrators before reducing the number of teachers.

Program and staff reduction was not a popular alternative, however. As reported in Question 10, superintendents would rather seek additional revenues than cut services.

Summary

This study traced the evolution of the 1979 constitutionally mandated Texas Property Tax Relief Legislation from 1969 to 1981, examining specifically the effect on local school districts' revenues and service provision.

Tax relief represents a change in the tax system that reduces the net property tax paid by individuals and businesses below what would have been paid without the intervening action. Political considerations usually make it necessary to adopt measures that are less than ideal. Such has been the case with House Bill 1060.

It is difficult to analyze specific tax relief alternatives like those implemented in House Bill 1060, because they do not operate in isolation. Originally touted as tax relief legislation, when combined with such other tax relief and tax reform requirements as those in Senate Bill 621, the resulting outcomes were very different from those which would have occurred had any of the separate pieces of legislation operated alone.

The Texas Legislature simultaneously implemented both a tax relief program for given types of property owners (farmers,
elderly, disabled, and automobile owners) and a general tax reform measure designed to more realistically assess all categories of property in the state. The two-year gap in required implementation provided the room needed for considerable political manipulation of both policies.

The connection between school finance and the dilemma of the property tax can not be ignored. Not only is education spending the largest single state expenditure, but the use of local assessed values for distribution of state aid to school district exacerbates the strains inflicted on the system by inflation. In implementing House Bill 621, the politically popular effects of House Bill 1060 have often been overshadowed or negated. Many of the districts surveyed for this study had not implemented the requirements of Senate Bill 621, but the concern about county-wide appraisal districts and political antecedent movements related to 100 percent market values was expressed. If uneven inflation during the 1970's had not been a reality and if school aid were not a function of property values, property tax relief and reform would not pose the problem that it does.

This study revealed that few school districts lost total revenue in 1980-1981, although House Bill 1060 was designed to reduce or remove certain previously taxed properties from the tax base. Intervening factors skewed the effects. House Bill 1060 did not function in vacuum, nor was resulting change linear. The real outcomes of both House Bill 1060 and Senate
Bill 621 may result in more drastic changes and might eventually make dependence upon the property tax politically impossible.

Rampant inflation and more accurate appraisal methods have rendered invalid the original theory that property ownership equates ability to pay. The freeze for property of citizens over sixty-five years of age, and special exemptions, will further shift the tax burden to fewer and fewer property owners.

Despite the strong opposition to a state income tax, the shift from the use of market value as the base for taxing agriculture and timber property to the use of productive values as the basis for taxation is in fact a shift to an income base. Thus farm taxes could already be considered a form of income tax and not a pure property tax. If the ability to pay was the criterion used to justify the shift, the question arises as to if and when homeowners in urban areas will demand the same consideration.

When voters adopted the Tax Relief Constitutional Amendment in November, 1978, the cost of granting tax relief in terms of tax burden shifts was obscure. Few voters realized the potential for unequal benefits. It is now apparent that the legislated 7 per cent interest-rate roll-back penalties are not effective when compared to the 1980 interest rates of nearly 20 per cent, a flaw that allowed speculators unequal benefit from the legislation.
Several superintendents in this study commented that voters in their districts did not understand or knew about House Bill 1060 provisions. When House Bill 1060 is evaluated by the commonly accepted norms of a good tax, outlined in the background search, it does not fulfill the requirements of a visible or easily understood tax measure. The shift in school tax burden that results from the statewide application of protected assessments is even less easily understood by the average taxpayer. Urban taxpayers, homeowners in particular, have been affected by this special treatment granted farmers and timber land owners and many do not know how the two are related.

Truth in taxation laws and full implementation of Senate Bill 621 will keep the public's attention focused on the property tax. Superintendents in this study affirm the commonly held belief that there is some widespread dissatisfaction with public schools. Unless educationally related problems, such as student test scores, improve, and perceptions concerning teacher competency change, this general dissatisfaction may be focused on the tax system that funds the educational system.

For the first time, alternatives may have to be seriously considered. New forms of taxation to replace or reduce dependence on the property tax system may begin to look more attractive. The bills for local governmental services must be paid, but one class of taxpayer probably will not be
willing to bear an untenable proportion of the burden. Unless relief is matched by an increase in efficiency someone must pay. Property tax relief is never a "free lunch."

Educational needs sometimes seem to become secondary when school finance and tax relief become intermingled. Superintendents responding to this study express concern about the ability of their districts to continue to offer services at the current level. Reduction of local government expenditures is one of the basic methods for providing tax relief. When other methods of tax relief are imposed, alterations become necessary. Unless efficiency can be increased in proportion to reduced spending, service cuts are one of the easiest adjustment tools available to a district without raising non-property taxes or increasing the taxes of the non-favored classes of property.

If services are to be altered, the most likely cuts, as reported by superintendents responding to this survey, include increase in class size, reduction in staff, especially teacher and support staffs, and reduction in instructional materials.

The political pressure for property tax relief will continue. The property tax is only one element in the overall state-local revenue system, and taxes for the local school district are only one element of the overall property tax issue. Some school districts face increasing political pressure to limit spending rather than raise taxes. Service levels may be perceived as excessive because of declining
enrollment, unpopular court policies, bureaucratic mismanagement, perceived lowering of requirements for teachers' credentials, or low pupil achievement scores on statewide tests. Taxpayers in areas where assessments have been raised sharply may begin to look more favorably at limiting spending if they perceive that expenses are bloated by waste, inefficiency, or corruption.

School districts across the state remain caught in the middle. Legislators and policy-makers see the schools as the major user of the ad valorem tax. A simplistic solution to the dilemma is to modify the school appropriations measures. Most educators are faced with demands for services, demands of teachers for greater salaries, and court-mandated equity requirements. They are turning more and more to the state to solve the financial problems which plague the system.

There will probably be more politically inspired attempts to modify the property tax system. A constitutional amendment (HJR-81) granting greater local option exemptions for homesteads was accepted by the voters in November, 1981. Another, HJR-49, will exempt "livestock and poultry in the hands of the producer" from all taxation (5). House Bill 30, the so-called property tax code "clean-up" bill was adopted in the special session of the Sixty-seventh Legislature. It was designed to enhance taxpayers' rights and remedies, and is basically a refinement and expansion of Senate Bill 621 from the Sixty-sixth Legislature (3).
Texas taxpayers should be prepared to look at other alternatives. An increase in city and county sales tax has been proposed. Higher fees for municipal services, local and state income taxes, refinery taxes, even taxed gambling have been proposed and ignored in the past. Superintendents across the state may unwittingly become the catalyst for a drastically different tax system for Texas within the coming years.
CHAPTER BIBLIOGRAPHY


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5. "HJR-49 As Finally Passed and Sent to the Voters," Texas Legislative Services, Austin, Texas, effective November 3, 1981.


9. "Senate Bill 180 As Finally Passed and Sent to the Governor," Texas Legislative Service, Austin, Texas, effective August 28, 1981.

10. "Senate Bill 621 As Finally Passed and Sent to the Governor," Texas Legislative Service, Austin, Texas, effective August 27, 1979.


CHAPTER V

SUMMARY, FINDINGS, AND RECOMMENDATIONS

Summary

The purpose of this study was to determine the effects of constitutionally mandated tax relief on revenues for 1979-1980 and 1980-1981 of surveyed Texas public school districts, to identify finance-related concerns of superintendents of the surveyed districts, and to identify educational adjustments, if any, made necessary by tax relief revenue adjustments. The study was limited to examining specific requirements of House Bill 1060 and the effects created when the provisions of the bill were implemented.

House Bill 1060 provided for appraisal of agricultural land based on production value rather than market value, exemption of personal motor vehicles from taxation unless the local governing body took action to tax this property, granting of a $5,000 exemption for homesteads on school district tax rolls, and an additional $10,000 school tax roll evaluation exemption to elderly and disabled persons, and provision for two years of state reimbursement to school districts for revenue lost as a result of tax relief legislation.

The study also reported basic political forces, antecedent movements and responses, and political actions identified
by superintendents as factors in the political environments of the responding school districts.

The research questions were stated as follows:

1. What proportion of school districts took affirmative action to delay the granting of agriculture and timber use valuations for the 1980 tax year?

2. If no action was taken to delay the use of agriculture and timber use values or to allow taxation of automobiles, how did these changes affect the districts' revenues?

3. What was the revenue reduction resulting from homestead, elderly and disabled allowable exemptions?

4. To what extent have school districts been reimbursed by the state for revenues lost through tax relief legislation?

5. Have school districts been forced to raise taxes or do they anticipate a tax increase in 1981 in order to maintain adequate funding to address the educational demands of their constituents?

6. If revenues were adversely affected, what educational reductions or adjustments would be made?

7. Have there been organized taxpayer efforts or appeals to the school board for further tax relief measures?

8. Have bond programs been affected or delayed because of the current tax environment?

9. Are there concerns or issues related to the current educational system that superintendents identify as major causes of taxpayers' negative reactions to school finance or
which may affect decisions to be made by the Sixty-seventh or Sixty-eighth Legislature.

10. Have other sources of state funding partially compensated the district for funds lost to tax relief exemptions? Does the superintendent favor a different structure for funding schools?

11. What, if any, has been the effect of tax relief on formal employee organization efforts in Texas school districts? Which, if any, category of personnel will be reduced if funds are not available to maintain the current employment levels?

12. Do differences exist in the effects of property tax relief legislation on school districts when grouped by wealth and by district type?

A survey questionnaire was designed to gather data about the research questions and was mailed to all 186 public school superintendents in Texas Education Agency districts classified as major urban, central city, and suburban. A random sampling of 164 superintendents from public school districts classified as non-metropolitan and rural was also mailed questionnaires. The survey produced 168 responses.

The data were tabulated and reported in tables by district type and by wealth per ADA. Data are reported in frequency of responses and in percentages of total responses for each sub-category when applicable. Tables reporting the mean for questions that required superintendents to rate responses are used where applicable.
The data indicated that property tax relief legislation, as mandated by the 1979 Tax Relief Amendments to the Texas State Constitution, did not actually reduce revenues in most school districts. Other tax reform measures, inflation of property values, and the general growth of most districts counteracted the revenue reductions predicted when the legislation was adopted.

The study tracked requirements of House Bill 1060 to identify the effects of this legislation on the 1979-1980 and 1980-1981 revenues and property tax structure of the districts. Of the responding districts, over half did not grant agriculture use valuations for the 1979-1980 tax year. Tracts of land belonging to speculators within the urban fringes were one major source of property tax revenue affected by House Bill 1060 changes.

Since House Bill 1060 required governing bodies to take a public political action rather than be passive about the tax on personal automobiles, many reporting districts have chosen to eliminate this property from their tax rolls. Although 24 per cent of the reporting districts taxed automobiles in 1979-1980, only 19 per cent reported doing so in 1980-1981.

Although House Bill 1060 was touted as legislation designed to reduce or remove certain properties from the tax rolls, only 12 (7.14 per cent) of the responding districts actually lost either total taxable value or revenue as a
result of implementing the legislation. Other districts either manipulated the revenue intake through reappraisals of the taxable property in the district, experienced growth of taxable property, adjusted the tax rate, or received additional state or federal funds, resulting in no revenue loss below the 1979-1980 level.

In 1981, the Sixty-seventh Legislature took measures that further protected school districts from revenue losses that might occur as a result of House Bill 1060 or other tax relief implementation. In Senate Bill 180, the legislature authorized the funding levels for various components of public school finance in the General Appropriations Act. This bill provides that "no school district may receive less state aid per student, plus pay raises for foundation personnel, than it received in 1980-1981 under the total of Foundation School Program payments plus reimbursement through Education Code, Chapter 20, Sub-Chap-ter D" (1, p. 3).

Major urban and central city superintendents reported the most concern that educational services in the districts would be reduced unless additional revenues were granted. In the major urban districts, 100 per cent of the responding superintendents reported that services would be reduced unless new revenue was produced.

In discussing services to be reduced, the reported preferences were very different when districts are compared by size and wealth. Large districts reported preferences
for reducing instructional materials, administrative personnel, support personnel, and the number of courses offered. Small districts preferred to reduce athletics, with rather neutral responses to all other service reductions. This may reflect the thought of superintendents in small districts that service and staff allocations are currently operating with little margin for reduction. Transportation, special education services, and vocational programs are viewed by responding superintendents as fairly stable, perhaps unadjustable givens.

When the data were examined by wealth per ADA, wealthy district superintendents reported little preference for reducing any services, although there was a slight preference for reducing athletics. The poorest district responses reflect a preference for increasing class size, reducing support personnel, and reducing athletics.

Sixty-eight, or 40.4 per cent of the responding districts reported some level of formal political activity in their district related to property tax relief. School districts in the central city category reported the highest percentage of negative reaction to tax relief, with stable suburbs reporting the second highest percentage.

Thirty-five responding districts, or 20.8 per cent, reported having had bond elections between 1978 and 1980. The 91.4 per cent approval rate is very high. Ten of the surveyed districts reported delaying bond issues between
1979 and 1981, because of a perceived negative political climate toward the issue in their districts.

Issues that might appear unrelated to taxes or school finance often influence voter responses to school budgets and the taxes needed to support those budgets. Superintendents were asked to report negative political feedback related to six issues: (1) school management practices, (2) student test scores, (3) desegregation, (4) teacher competency, (5) mandatory programs, and (6) perceived tax inequities to homeowners. The superintendents of major urban areas reported that 100 per cent had received negative input related to teacher competency, 80 per cent had received negative feedback as to student test scores and perceived inequities to homeowners, and 60 per cent had faced negative feedback about desegregation and school management practices. Desegregation was not a concern of any responding rural and non-metropolitan superintendents and only 2 per cent of suburban superintendents reported any negative public feedback related to desegregation.

Of the responding districts, when examined by wealth per ADA, wealthy districts fared better than less wealthy. Superintendents reported minimum negative public feedback in the $150,000 to $285,999 per ADA category. Homeowners in both the wealthiest and poorest districts reacted most often to perceived inequities to homeowners as an important issue.
When asked to rank alternatives for generating revenue for public schools, responding superintendents in all categories favored new sources of state funding. New sources of federal funding were universally ranked low, even in the poorest responding districts.

Conclusions

The findings of this investigation support the following conclusions as they relate to the respondents:

1. The fact that few Texas school districts lost revenue due to House Bill 1060 tax relief implementation could lead to the conclusion that there was in fact very little tax "relief" provided. Farmers, ranchers, and timber land owners benefited from a decrease in or a maintenance of the property tax status quo. Most local governments readjusted the tax base through reappraisals or increased tax rates to generate the revenue needed to fund the budget, thereby offsetting reductions that would have resulted had House Bill 1060 been implemented alone. Tax relief is an illusion unless it is accompanied by less spending. Otherwise any relief is in reality a tax shift from one group of taxpayers to another.

2. Homeowners have been affected most by the shift in property tax burden. Since residential property does not generate income, homeownership may not reflect a true ability to pay taxes on inflated market values. This study identified homeowners as one group that has begun to organize into
vocal political action coalitions in some school districts. The Constitutional Amendment (HJR 81) passed in November, 1981, to allow local governments greater power to increase residential exemptions, reflects the political power of these groups. School boards and municipal governments are going to face increased political pressure to expand residential property tax exemptions. School budgets are going to be more carefully monitored by residential taxpayer groups, which will develop greater political skills as time passes. Educators will be asked to justify expenditures which in the past went unquestioned.

3. State reimbursement for property tax relief was made a part of the basic general state aid to local school districts in 1981 by Senate Bill 180. The trend toward greater reliance on state funding for public elementary and secondary education will continue. Superintendents surveyed support greater state funding for public education.

Loss of local options will probably accompany the shift toward greater state funding. The option for rollback provisions of budget increases exceeding 8 per cent annually was provided in House Bill 30 by the special session of the Sixty-seventh Legislature. Salary increases for teachers, which at the local level often exceeded those mandated by the state, may be one budget item that will be decreased. School districts will be reluctant to submit budgets that require tax increases greater than 8 per cent.
4. Superintendents in this study reported that increased class size, reduction in personnel, and reductions in instructional materials were educational adjustments they would favor if revenues were altered. It may be concluded that teachers and administrators will probably resist changes that result in more students per class or decreased class resources. If this happens, there will probably be greater demands for collective bargaining and unionization. Educators will try to offset taxpayer alliances with organized political coalitions of their own.

5. Urban education is facing increased loss of public support. Educators must find appropriate ways of demonstrating that the public schools can meet the needs of urban youth. Unless educators alter the public's perception of the competency of teachers and managers, urban schools will lose more students to private schools and nearby suburban areas. Pupils remaining will be those needing the costliest educational services.

6. If spending and tax limits result in program curtailments, other forms of funding will be necessary. There may be political pressure to reinstitute the wide use of "user fees," where students will pay for services previously provided free. This could decrease the positive effects of equalization efforts that have been initiated over the past years.

7. Superintendents, especially in small districts, report favoring reduction of athletics if budget alterations
are required. The cost of building and maintaining expensive athletic facilities appears to be a logical place to reduce costs without great impact on the overall quality of the educational program. The fact that the athletic programs have not been affected reflects the political skills of the supporters of these programs at both the local and state levels of government.

8. Desegregation and lack of confidence in teachers are not concerns of suburban areas. It might be concluded that parents and voters in general have greater confidence in the schools if the district has a homogeneous student population or if the schools have already been successfully or naturally integrated. Teachers may meet the needs and expectations of the public if they are dealing with students whose needs are all similar in scope.

Suburban school districts also reported a high success rate for bond issues. There seems to be continuing support for public schools with homogeneous student populations.

9. The shift from market value as a base for taxing timber and agriculture land to production value is basically a shift in the direction of a tax based on income rather than on ad valorem value. The traditional resistance to a state income tax may decrease if other classes of property taxpayers perceive their ability to pay is no longer reflected by over-burdening property appraisals or inflated property values.
10. Property tax reappraisals mandated by Senate Bill 621 are going to result in even greater property tax shifts to homeowners if the reappraisals are properly done. Unless districts which have maintained artificially low appraisals in the past reform appraisal practices, the inequities that have plagued Texas school finance in the past will be perpetuated. Districts where appraisals reflect true market value will shoulder a disproportionate share of the cost for funding public schools statewide.

11. School boards and local city councils are going to be held more accountable for budget decisions. The members of these governing bodies may face difficult public image problems, as they have limited control over many expenditures. Past bond elections or state-mandated programs are reflected in the local budgets, but local officials have little control over the costs. The state legislature thus has a political cushion. Many professional educators are politically naive and do not use effective political strategies when attempting to influence legislation that governs educational issues.

12. There will be an increased demand for services for the elderly as their numbers increase. The needs of this group and the increased demand to protect their property from property tax increases will create an intensified competition for public monies that now go to education, while decreasing funds available through the current property tax system.
Recommendations

Based on the findings of the study, it is recommended that

1. Alternative methods of generating revenue for support of education must be evaluated and considered as property tax becomes increasingly difficult to maintain.

2. School personnel should improve the management practices of the education system and make the voter aware of the strengths of these improvements. Educators must market public education to the public and be responsive to the basic expectations of their constituents.

3. Statewide appraisals should be standardized to eliminate inequities of appraisals between counties. Real or perceived inequities will generate greater political resistance to the property tax.

4. A system based on a weighted pupil model should be utilized when and if full state funding for public elementary and secondary education becomes state policy.

5. Teacher and administrator preparation programs should include required study in political processes and strategies. The myth of education as a non-political institution should be eliminated among the practitioners.

Research Implications

Educators, legislators, and voters need data and general economic frameworks in order to generate politically acceptable educational finance legislation which enables the public
schools to provide needed services. This investigation adds to the body of knowledge from which these publics can draw data.

School finance is complex and in a constant state of change. Each legislative session brings alterations, additions, or deletions to the school financial base. The full implementation of Senate Bill 621 in 1982, will again alter the incidence of tax burdens, as did the implementation of House Bill 1060. Studies that investigate the county-wide appraisal boards, the degree of accuracy of the full market appraisals and the political responses of voters will be of future importance. Studies of the public's attitude toward public school programs and management are also areas which merit greater investigation. The feasibility of alternative funding methods will be important as legislators seek politically acceptable methods for funding public education.
1. "Senate Bill 180 as Finally Passed and Sent to the Governor," Texas Legislative Service, Austin, Texas, effective August 27, 1979.
APPENDICES
Please complete and return by JANUARY 30, 1981 in the enclosed envelope.

(No information will be associated with districts by name in publication, but survey cannot be placed in the correct classification category without proper identification.)

School District__________________
County-District No.________________
Submitted by_______________________
Position of Person Responding__________

This questionnaire has three parts: (I) questions related to implementing HB 1060 tax relief legislation, (II) questions about educational alterations or adjustments that might be necessary, and (III) other taxpayer issues that could effect school financing in the near future.

(Please circle answer)

I.

1. Did the Board of Education in your district take action to delay granting agriculture or timber use valuations for the 1979-80 school year?
   
   Yes  No

   1 a. If no, approximately how many agriculture use valuations were:
      
      b. Granted for 1980-81? _______

2. How many residents applied for residential homestead exemptions for 1980-81? _______

3. How many homestead exemptions did your district grant for persons over age sixty-five? _______

4. Did the school board in your district take action to rescind previously granted local exemptions for elderly or disabled home owners?
   
   Yes  No

5. Has your district taxed automobiles during any of the past five years?
   
   Yes  No

6. Did your board take action to allow automobiles to be taxed in 1979-80?
   
   Yes  No

   6 a. If yes, how much revenue was generated? ____________________________
14.  

<table>
<thead>
<tr>
<th>14.1 Total market valuation (gross without exemptions, if any)</th>
<th>1979-80</th>
<th>1980-81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total granted exemptions (agricultural use, homestead, age, veterans, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.2 Net assessed valuation (subtract above)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection Rate (net)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.3 Local District Tax Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.4 State reimbursement for 1060 exemptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.5 Revenue from Federal Sources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.6 Total State School Foundation Program Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Funds Available for School Budget (Add 14.3, 14.4, 14.5, 14.6)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>14.7 Increase (decrease) in total taxable valuation (1980-81 minus 1979-80)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Amount of increase (decrease) due to real growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Amount of increase due to inflation (check here if properties were not revaluated for 1980-81 and enter a zero at right)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

II. 

1. Educational programs and activities are directly effected by changes in educational finances. On a scale of 5 to 1, rate the importance of the following when planning your district's 1981-82 budget.

<table>
<thead>
<tr>
<th>High Priority</th>
<th>Low Priority</th>
</tr>
</thead>
</table>
a. Salary increases for professional staff | 5  4  3  2  1 |
b. Salary increases for support staff | 5  4  3  2  1 |
c. Increases in maintenance and utility costs | 5  4  3  2  1 |
d. Increase for instructional supplies | 5  4  3  2  1 |
e. Desegregation expenses | 5  4  3  2  1 |
f. Full day kindergarten | 5  4  3  2  1 |
g. Increased enrollment | 5  4  3  2  1 |
h. Expanded transportation services | 5  4  3  2  1 |
i. Special, federally mandated programs not

Has your board taken action to tax automobiles for the 1980-81 school year?

7 a. If yes, how much revenue is expected to be generated? 

Does your district plan to tax residential property at 100% assessed value for 1980-81?

8 a. If no, what assessment ratio is to be used?

Were properties in your district revalued for 1980-81?

If there was an increase in total market value, does this primarily reflect real "growth" in terms of new property or inflation of existing properties?

10 a. If there was real "growth," rank the following as to the major source of growth: (5 High to 1 Low)

a. New residential property
b. New business or industry
c. New oil, gas or other mineral development
d. Timber or agricultural values
e. Other

What percent of district property value is generated by the following:

a. Agriculture and timber land
b. Residential property
c. Business inventory & property
d. Oil, gas and minerals
e. Banks and utilities

Has the district received complaints relating to perceived or real abuses or inequities related to HB 1060?

If yes, what form(s) did these complaints take? (Mark all that apply)

a. Informal complaints by private citizens (e.g. phone calls or letters to district staff)

b. Formal complaints by private citizens (e.g. addressing the Board)

c. Formal actions by organized pressure or interest group(s) (e.g. petitions, addressing the Board)

d. Lawsuits

e. Other
7. Is enrollment declining in your district?  
   Yes  No  165

8. Have you consolidated, paired schools or closed any buildings?  
   Yes  No

III.

1. Taxpayers often have concerns about schools which are basically separate from the issue of taxes but may be transferred into tax complaints. During the past year has there been significant public concern addressed to the school board or administration about any of the following issues:
   a. School management practices  
   b. Student test scores  
   c. Desegregation  
   d. Teacher competency  
   e. Mandatory programs  
   f. Perceived tax inequities to homeowners  
   g. Other

2. Has the district had a capital improvement bond election during the past year?  
   Yes  No  
   If yes, was the bond package approved?  
   Yes  No  
   Did the district consider holding an election and decided not to because of taxpayer negativism?  
   Yes  No

3. Has your district been desegregated by court order within the last five years?  
   Yes  No

4. Has the ethnic balance of your district changed during the past three years?  
   Yes  No

4 a. The current ethnic profile for your district is:
   Anglo ___%  
   Black ___%  
   Mexican Am ___%  
   Other ___%
November 24, 1980

Dear Superintendent

HB 1060, the implementing legislation for the Tax Relief Amendments of 1978, may be changing the traditional tax base of public education. This legislation, the economic needs of taxpayers from which it developed, and a growing sense of frustration and confusion about public schools financing are going to be major concerns of the 1981 Texas Legislature. HB 1060 is already under fire as an unjust and misused vehicle for tax relief.

It is important that the representatives of public education prepare themselves with facts as they plan a financial program for the school children of the state. Although basic data is now available, little is known of the real impact that tax relief has had on the tax bases of Texas school districts. In order to facilitate planning, the legislative committee must know how your district has been impacted.

I am helping supervise the doctoral studies of Scherry Johnson, a graduate student at North Texas State University, who agreed to help us assemble information related to tax relief issues and their effects on school finance. I hope that you or some other knowledgeable district official will complete the enclosed questionnaire and return it to my office, 3700 Ross Avenue, Box 20, Dallas, Texas 75204 by February 20, 1981. Any questions may be directed to Mr. Robby Collins at 214/824-5360.

Your cooperation is greatly appreciated and will help your representatives prepare a realistic financial program for the approaching legislative session.

Sincerely yours,

Linus Wright
General Superintendent
<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (5)*</th>
<th>Central City (15)*</th>
<th>Suburban-Fast Grow (34)*</th>
<th>Suburban-Stable (31)*</th>
<th>Non-Metro and Rural (56)*</th>
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<tbody>
<tr>
<td>Number of Courses</td>
<td>4 1 1 3 5 3 3</td>
<td>5 8 8 4 3</td>
<td>7 2 6 8 8</td>
<td>9 1 1 5 1 9 1 2</td>
<td></td>
</tr>
<tr>
<td>Athletics</td>
<td>1 2 2 1 2 8 3 1</td>
<td>2 1 0 8 7 3</td>
<td>5 4 1 5 3 4</td>
<td>1 0 1 2 5 5 3</td>
<td></td>
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<td>Administration</td>
<td>2 2 1 7 2 4 2</td>
<td>3 7 9 8 6</td>
<td>4 6 1 2 3 5</td>
<td>1 1 0 1 9 7 1 7</td>
<td></td>
</tr>
<tr>
<td>Support Personnel</td>
<td>1 4 8 4 1 2</td>
<td>6 9 6 6 6</td>
<td>8 8 9 3 2</td>
<td>8 1 6 1 7 7 8</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>1 1 1 2 8 2 3 2</td>
<td>3 9 7 5 9</td>
<td>6 1 5 9 2 7</td>
<td>1 4 0 1 2 5 1 4</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>1 1 1 2 1 3 3 6 2</td>
<td>1 4 1 5 3 8</td>
<td>2 5 1 7 2 2</td>
<td>1 0 7 1 7 7 9</td>
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<tr>
<td>Class Size</td>
<td>3 1 7 2 5 1 1 0 1 4 5 2 2</td>
<td>1 1 7 4 8 1 1 5 1 7 1 4 7 5</td>
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<td></td>
<td></td>
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<tr>
<td>Special Education</td>
<td>1 3 3 2 5 3 2</td>
<td>3 4 1 5 3 6</td>
<td>2 4 1 6 5 2</td>
<td>4 1 0 1 2 1 9 7</td>
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<tr>
<td>Vocational Education</td>
<td>1 3 1 1 1 9 3 1 2</td>
<td>4 1 7 4 6</td>
<td>2 3 1 4 5 5</td>
<td>3 1 3 1 7 1 8 4</td>
<td></td>
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<tr>
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<td>1 3 1 1 0 3 2</td>
<td>2 1 0 9 5 6</td>
<td>4 5 1 2 4 6</td>
<td>7 1 4 2 0 6 9</td>
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*Number of respondents that affirm program adjustments would be necessary without increased revenue.

5 = most desirable, 1 = least desirable.
TABLE XXVII

SUPERINTENDENT RATINGS OF EDUCATIONAL FUNCTION DEEMED MOST DESIRABLE TO REDUCE IF REVENUE DECLINES AS REPORTED BY WeALTH PER ADA SUBGROUP

<table>
<thead>
<tr>
<th>Variable</th>
<th>$286,000 and Over (8)*</th>
<th>$150,000-285,999 (22)*</th>
<th>$100,000-149,999 (31)*</th>
<th>$50,000-99,999 (66)*</th>
<th>Under $50,000 (14)*</th>
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<tbody>
<tr>
<td>Number of Courses</td>
<td>1 1 1 2 2</td>
<td>2 4 3 5 6</td>
<td>11 4 6 4 5</td>
<td>9 14 19 4 1</td>
<td>2 1 6 4 1</td>
</tr>
<tr>
<td>Athletics</td>
<td>4 3 1 1</td>
<td>3 1 2 4 1</td>
<td>4 7 12 6 1</td>
<td>9 15 26 7 4</td>
<td>1 4 3 4 2</td>
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<tr>
<td>Administration</td>
<td>1 6 1 6</td>
<td>3 4 9 6 7</td>
<td>1 2 14 2 0 8 1</td>
<td>1 6 3 3</td>
<td></td>
</tr>
<tr>
<td>Support Personnel</td>
<td>1 3 1 1</td>
<td>3 4 6 2 4</td>
<td>5 2 7 7 2</td>
<td>1 7 2 1 2 6 8</td>
<td>2 7 2 3</td>
</tr>
<tr>
<td>Teachers</td>
<td>2 2 1 2</td>
<td>1 3 6 4 8</td>
<td>1 4 3 7 2 4</td>
<td>1 1 6 1 3 0 1 3</td>
<td>4 3 2 3 2</td>
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<tr>
<td>Transportation</td>
<td>2 3 2 3 2</td>
<td>3 3 9 2 2</td>
<td>9 2 8 3 7</td>
<td>4 1 5 2 5 6 9</td>
<td>2 1 6 3 1</td>
</tr>
<tr>
<td>Class Size</td>
<td>4 1 2 1</td>
<td>1 1 0 5 6</td>
<td>1 4 6 3 4 3</td>
<td>2 1 8 1 4 9 4</td>
<td>6 6 2</td>
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<tr>
<td>Special Education</td>
<td>1 1 4 1</td>
<td>2 1 0 5 1</td>
<td>2 4 1 1 8 4</td>
<td>1 0 8 2 7 1 2 7</td>
<td>2 2 7 3</td>
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<tr>
<td>Vocational Education</td>
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<td>2 1 2 2 2</td>
<td>4 1 5 8</td>
<td>6 9 2 6 1 0 7</td>
<td>2 3 4 4 1</td>
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<tr>
<td>Instructional Material</td>
<td>1 1 4 2</td>
<td>2 7 8 3 2</td>
<td>1 7 1 2 3 6</td>
<td>8 1 2 4 5 1 2</td>
<td>1 2 5 5</td>
</tr>
</tbody>
</table>

*Number of respondents that affirm program adjustments would be necessary without increased revenue.

5 = most desirable, 1 = least desirable.
TABLE XXVIII

RESPONDING SUPERINTENDENTS' PREFERENCES REGARDING PROPOSED ALTERNATIVES FOR GENERATING ADDITIONAL SCHOOL DISTRICT REVENUE BY DISTRICT TYPE

<table>
<thead>
<tr>
<th>Variable</th>
<th>Major Urban (5)</th>
<th>Central City (15)</th>
<th>Suburban-Fast Grow (47)</th>
<th>Suburban-Stable (36)</th>
<th>Non-Metro and Rural (64)</th>
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<td>5 4 3 2 1</td>
<td>5 4 3 2 1</td>
<td>5 4 3 2 1</td>
</tr>
<tr>
<td>New Appraisals</td>
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<td>1 0 8 4 6 1 7</td>
<td>5 6 9 5 1 1</td>
<td>5 9 1 6 9 2 5</td>
<td></td>
</tr>
<tr>
<td>New Rate</td>
<td>1 1 3 4 2 3 2 5</td>
<td>1 0 7 9 5 1 6</td>
<td>1 9 1 0 2 1 1</td>
<td>8 8 1 7 1 5 1 5</td>
<td></td>
</tr>
<tr>
<td>Cut Programs</td>
<td>4 1 1 6 3 2 4</td>
<td>4 1 6 2 6 2 1</td>
<td>2 1 6 9 1 5</td>
<td>5 3 1 2 1 2 3 1</td>
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<td>Additional State Funds</td>
<td>5 1 2 2 2 3 1 4</td>
<td>3 1 5 4 2 4 2 9</td>
<td>2 9 3 1 1 4 7 5 3 3 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Federal Funds</td>
<td>2 3 2 2 6 5 6</td>
<td>6 3 2 4 2 9 6 2 5</td>
<td>1 2 5 1 2 1 7 3 7 9 2 8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5 = most desirable, 1 = least desirable.
### TABLE XXIX

RESPONDING SUPERINTENDENTS' PREFERENCES REGARDING PROPOSED ALTERNATIVES FOR GENERATING ADDITIONAL SCHOOL DISTRICT REVENUE BY WEALTH PER ADA

<table>
<thead>
<tr>
<th>Variable</th>
<th>$286,000 and Over (10)</th>
<th>$150,000-285,999 (27)</th>
<th>$100,000-149,999 (39)</th>
<th>$50,000-99,999 (74)</th>
<th>Under $50,000 (18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Appraisals</td>
<td>1 2 2 1 4</td>
<td>5 1 5 2 14</td>
<td>7 5 9 6 12</td>
<td>9 1 3 1 6 9 2 4</td>
<td>1 2 6 3 6</td>
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<td>New Rate</td>
<td>3 1 4 0 2</td>
<td>4 6 5 2 11</td>
<td>4 7 4 9 1 3</td>
<td>1 0 1 2 1 7 9 2 1</td>
<td>3 2 3 4 6</td>
</tr>
<tr>
<td>Cut Programs</td>
<td>1 2 2 5</td>
<td>2 0 5 6 9</td>
<td>1 4 9 6 1 7</td>
<td>5 6 1 6 1 4 3</td>
<td>0 4 6 2 7</td>
</tr>
<tr>
<td>Additional State Funds</td>
<td>6 0 1 3</td>
<td>2 1 0 2 0 0</td>
<td>2 9 4 1 2 2</td>
<td>5 2 1 0 6 2 4 1</td>
<td>1 6 1 0 1 0</td>
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<tr>
<td>Additional Federal Funds</td>
<td>0 1 0 1 8</td>
<td>3 1 8 3 9</td>
<td>8 6 3 5 1 6</td>
<td>7 9 9 7 4 1</td>
<td>4 1 4 2 7</td>
</tr>
</tbody>
</table>

5 = most desirable, 1 = least desirable.
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