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## Districts get subsidy but also criticism

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Texas Education Commissioner Robert Scott has set off a heated debate after deciding last week to give extra state dollars to a select group of school districts — those that have opted to give homeowners a special tax break.

The cash-strapped Cypress-Fairbanks school district will be the biggest winner, pocketing \$6.2 million.

Scott, at the urging of state Sen. Dan Patrick, took advantage of a little-known and rarely invoked state law that allows him to spend state money subsidizing districts such as Cy-Fair that grant an optional homestead exemption. The Cy-Fair school board is expected to decide tonight whether to continue offering the tax break.

That law, passed in 1999, now is drawing criticism from some school leaders who say it's unfair for the state to help certain districts while leaving behind the 80 percent without the exemption.

"I'm happy for Cy-Fair and others," said Guy Sconzo, superintendent of the Humble school district, which does not offer the tax break. "In the same breath, I'm very disappointed that any surplus dollars would be used to only benefit some and not all school districts."

The school board presidents in Alief and Spring — which also don't grant the exemption — echoed similar concerns. Even one of Patrick's fellow Republican state lawmakers is questioning the law, used only once or twice in the past decade.

"Anytime I can help taxpayers I love to do it, but I want to do it fairly and for all of them," said state Rep. Rob Eissler, R-The Woodlands.

### Reviewing the law

Eissler, who chairs the House Public Education Committee, said he expects a special committee, set up to study school funding, to review the law.

"I promise you it will get more attention now," added Democratic Sen. John Whitmire, who represents Cy-Fair and other districts that don't offer the exemption. "I'm not going to fault the Cypress people for looking for relief, but there are 1,000-plus school districts that often are in similar situations. We need to assist everyone."

In districts with optional homestead exemptions — which can reach as high as 20 percent — homeowners don't have to pay taxes on the full value of their property. Most years, districts that offer the exemptions simply lose out on tens of millions of dollars of tax revenue. But because of Scott's decision this year, the Texas Education Agency plans to distribute about \$23.6 million to 173 school districts with the exemption.

Besides Cy-Fair, the local districts reaping the most money are Houston ISD (\$2.6 million),

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Galena Park (\$743,874), Pasadena (\$730,859) and Spring Branch (\$612,142), according to the TEA.

Most districts that offer the exemption will receive much less, with 75 percent getting less than \$50,000. Districts such as Cy-Fair with heavily residential tax bases that are not considered property-wealthy tend to benefit the most.

Lisa Dawn-Fisher, the TEA's director of school finance, said the agency ended up with surplus funds to spend because property values statewide grew faster than projected and student enrollment grew slower.

Under state law, the commissioner has only a few options for spending surplus funds, including helping districts with declining property values and subsidizing those with optional homestead exemptions, Dawn-Fisher said. The money also could flow back to the state's general revenue fund.

**Rewarding tax relief**

Houston attorney David Thompson, who represents several school districts that grant the optional homestead exemption, said he lobbied for the 1999 change in state law to help them.

"It's a way for the state to say, 'Yes, we think tax relief for homeowners is a good thing, and we don't want to completely penalize districts for giving that relief,'" Thompson said.

Still, the extra \$6 million that Cy-Fair will receive

because of its exemption is not expected to solve all the district's problems. Only about \$1.2 million of that money can be spent on general operations, with the rest earmarked for debt service, according to district spokeswoman Kelli Durham.

The school board is expected to vote Thursday night on whether to keep the district's 20 percent homestead exemption and whether layoffs are necessary to balance the budget.

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