TEA
Texas Education Agency

House Ways and Means Committee: Property Tax Relief

September 15, 2026

History of Legislative Action to Reduce School District M&O Property Taxes

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- 1997 (HB 4): Increased mandatory state homestead exemption from $5,000 → **$15,000**.
- 2006 (HB 1): Reduced school district M&O tax rates by two-thirds ($1.50 → $1.00) and added $0.17 additional capacity (up to $1.17).
- 2015 (SB 1): Increased homestead exemption from $15,000 → **$25,000**.
- 2019 (HB 3): Reduced school district M&O tier one tax rates ($1.00 to $0.93) and
  - Created an automatic tax compression mechanism tied to property value growth (>2.5%).
  - Limited local share of tier one growth to 2.5% annually to stabilize state share.
  - Established funding for locally adopted homestead exemptions via recapture reductions.
- 2021 (SB 1): Increased homestead exemption from $25,000 → **$40,000**. Ongoing and catch-up compression in GAA.
- 2023 (SB 2): Increased homestead exemption from $40,000 → **$100,000**. Compressed M&O tax rates by 10.7 cents, plus 8.25 cents from GAA (~18 cents total).
- 2025: Increased homestead exemption from $100,000 → **$140,000** (SB 4).
  - Increased additional homestead exemption for elderly and disabled persons from $10,000 → **$60,000** (SB 23).
  - Increased income-producing tangible personal property exemption from $2,500 to $125,000 (HB 9).
  - Additional 5.53 cents of tax compression in GAA.

Property Values (2013-2025)

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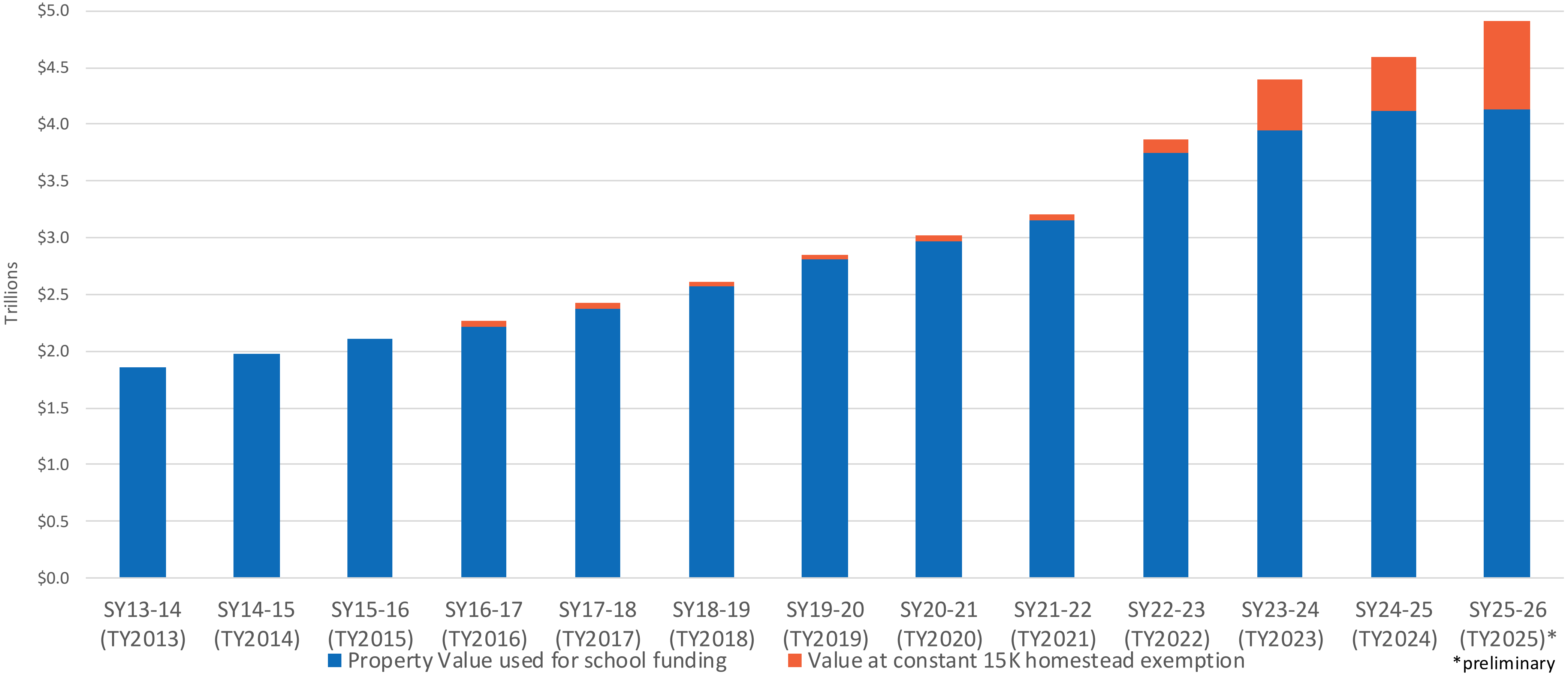
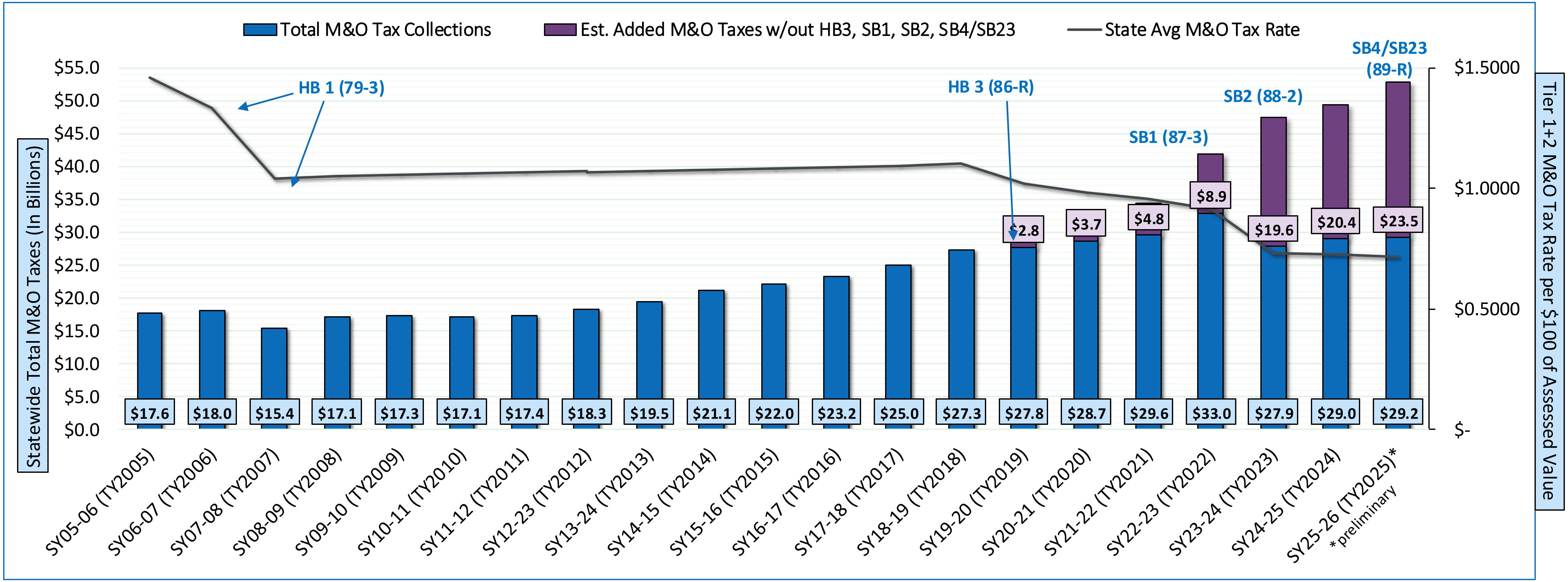


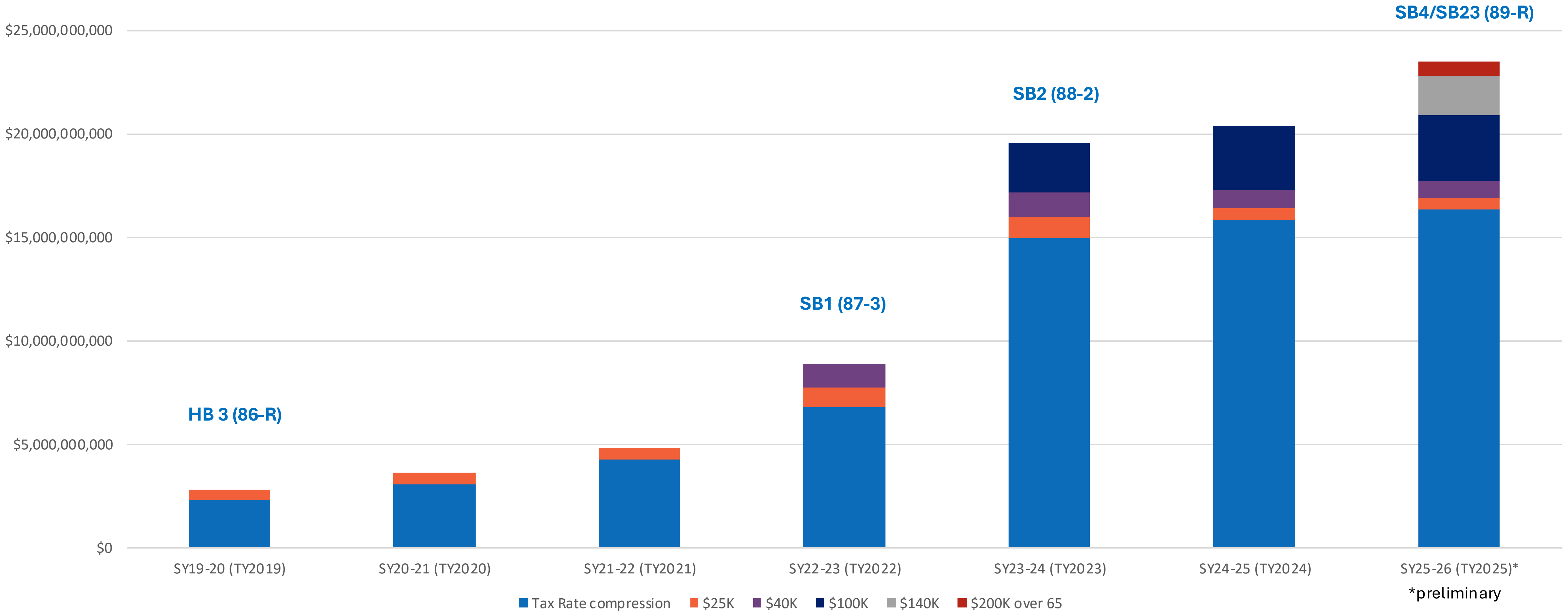
- Property values used for school finance have risen by an average 120% since Tax Year 2013 (TY 2013).
- If the state-mandated homestead exemption had been held steady at $15K, property value growth would have been 163%.

M&O Tax Rates and Tax Collection History



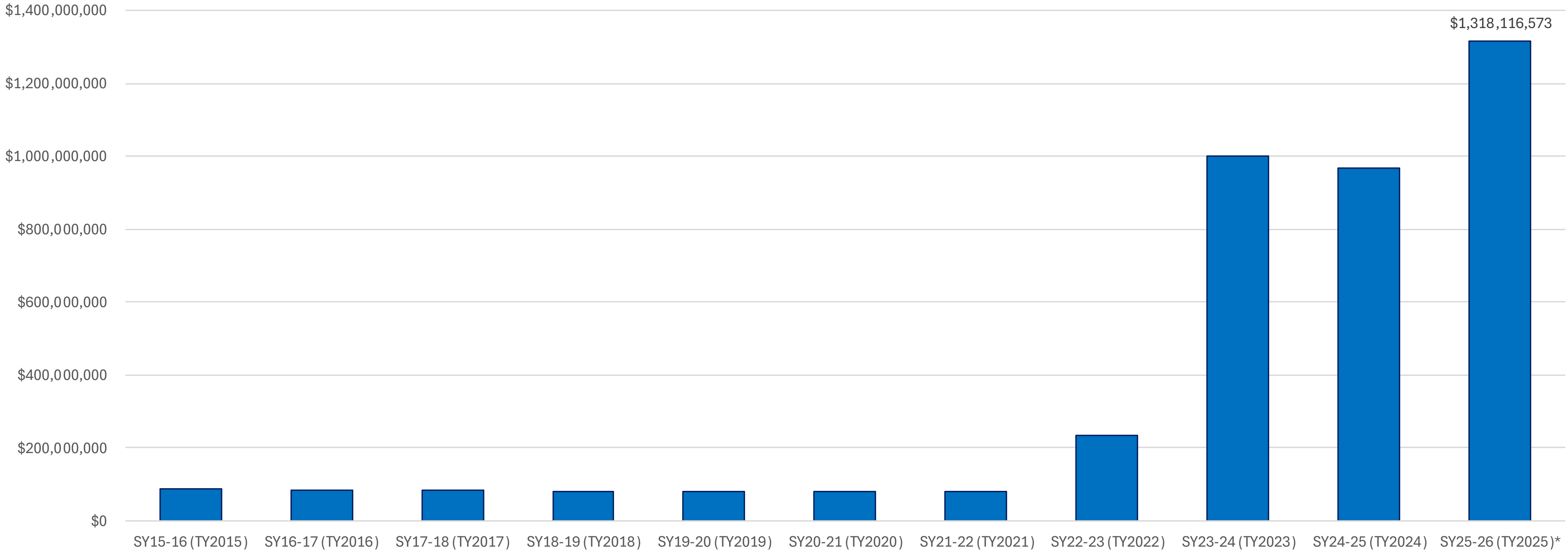
In addition, tax relief has been provided for I&S. In TY2025, that total was ~$1.3B.

M&O Tax Relief (tax years 2019-2025)



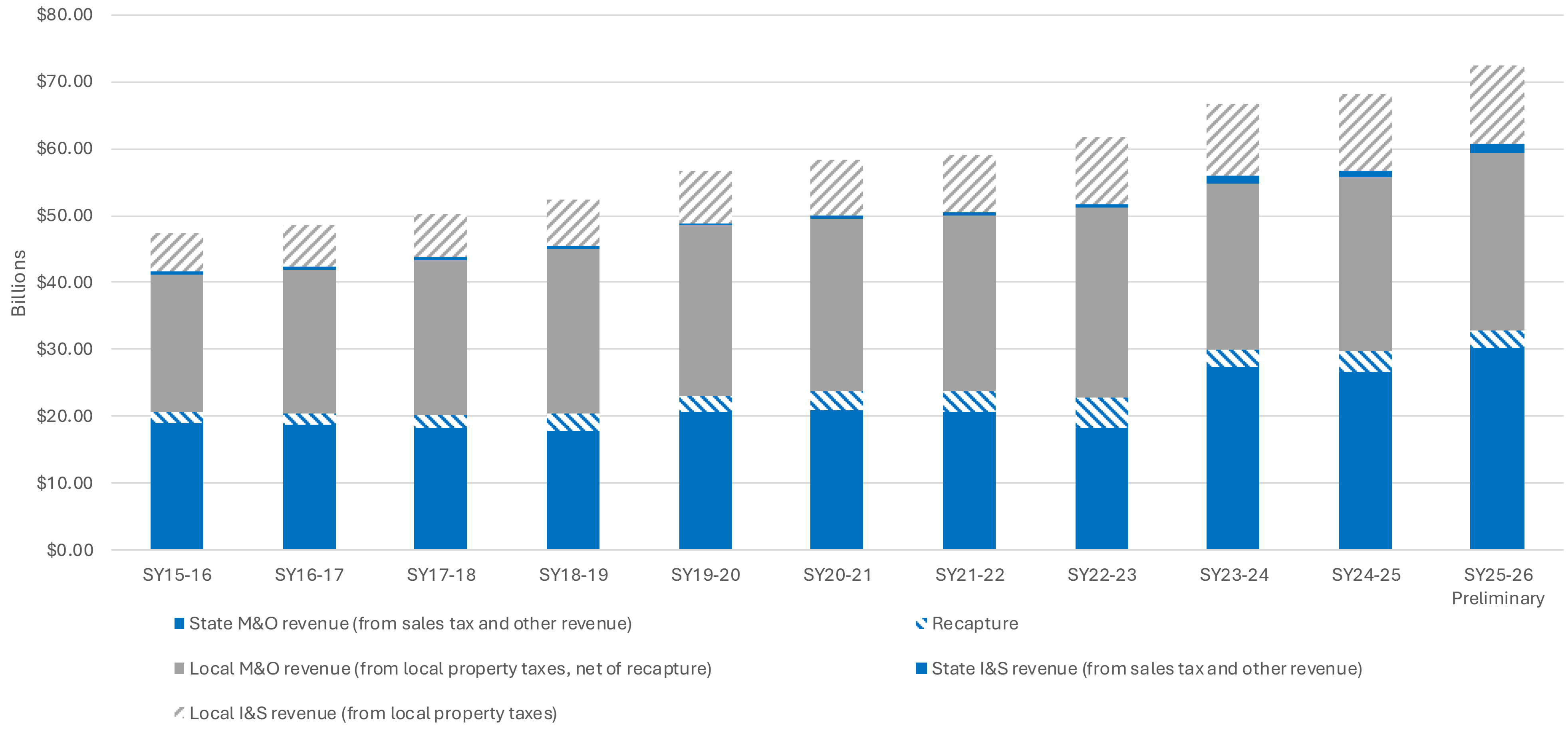
- M&O tax relief provided since tax year 2019 has grown to approximately $23.5 billion per year.
- Separately, I&S tax relief has grown to approximately $1.3 billion per year.

I&S State Aid for Homestead Exemption Increases (Debt Service)



- In addition to M&O tax relief, the legislature also provides state assistance for school district debt service payments to compensate for local I&S collections losses due to homestead exemption increases.
- I&S tax relief has grown to approximately $1.3 billion per year.

FSP Funding Over Time

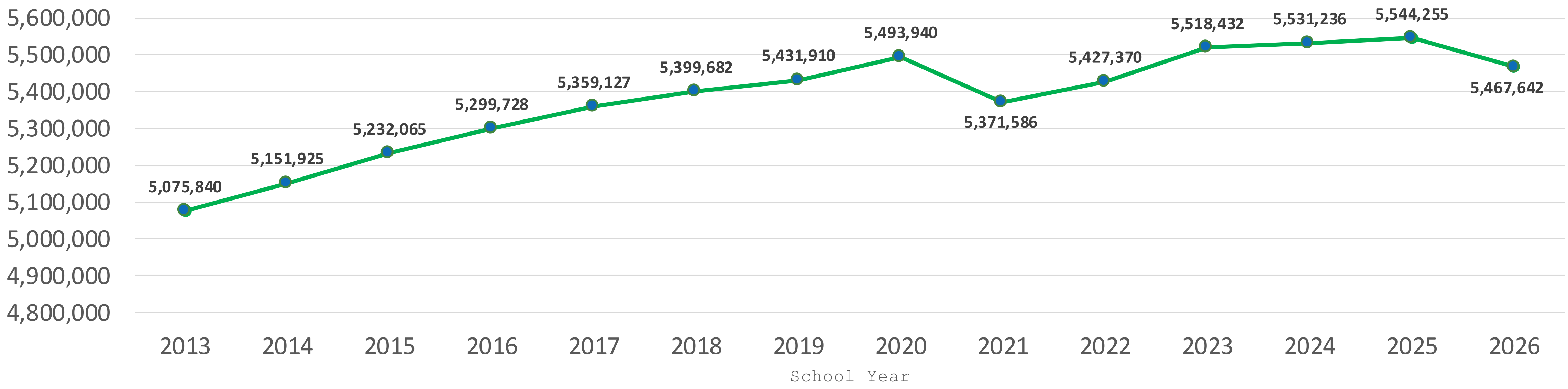


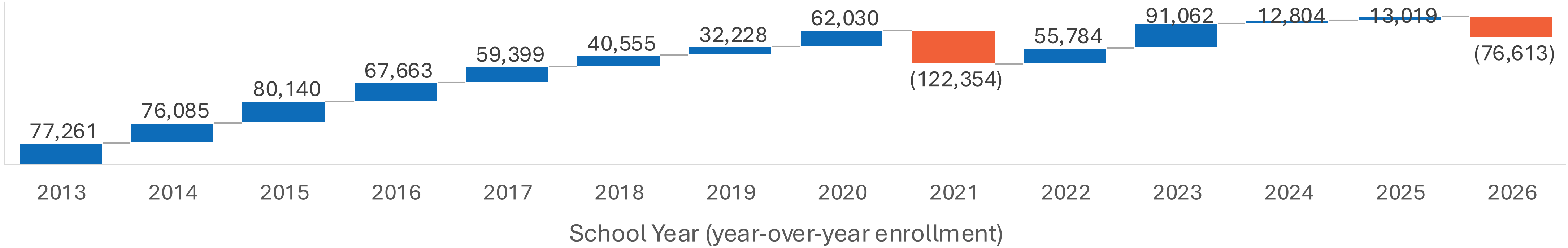
Total annual state and local FSP revenue increased from $47.44B in SY 2016 to $72.55B in SY 2026, an increase of 53%.

Other notable state funding, not included in these FSP figures, includes Technology & Instructional Materials (~$800M / yr) and TRS On Behalf (~$2.8B / yr)

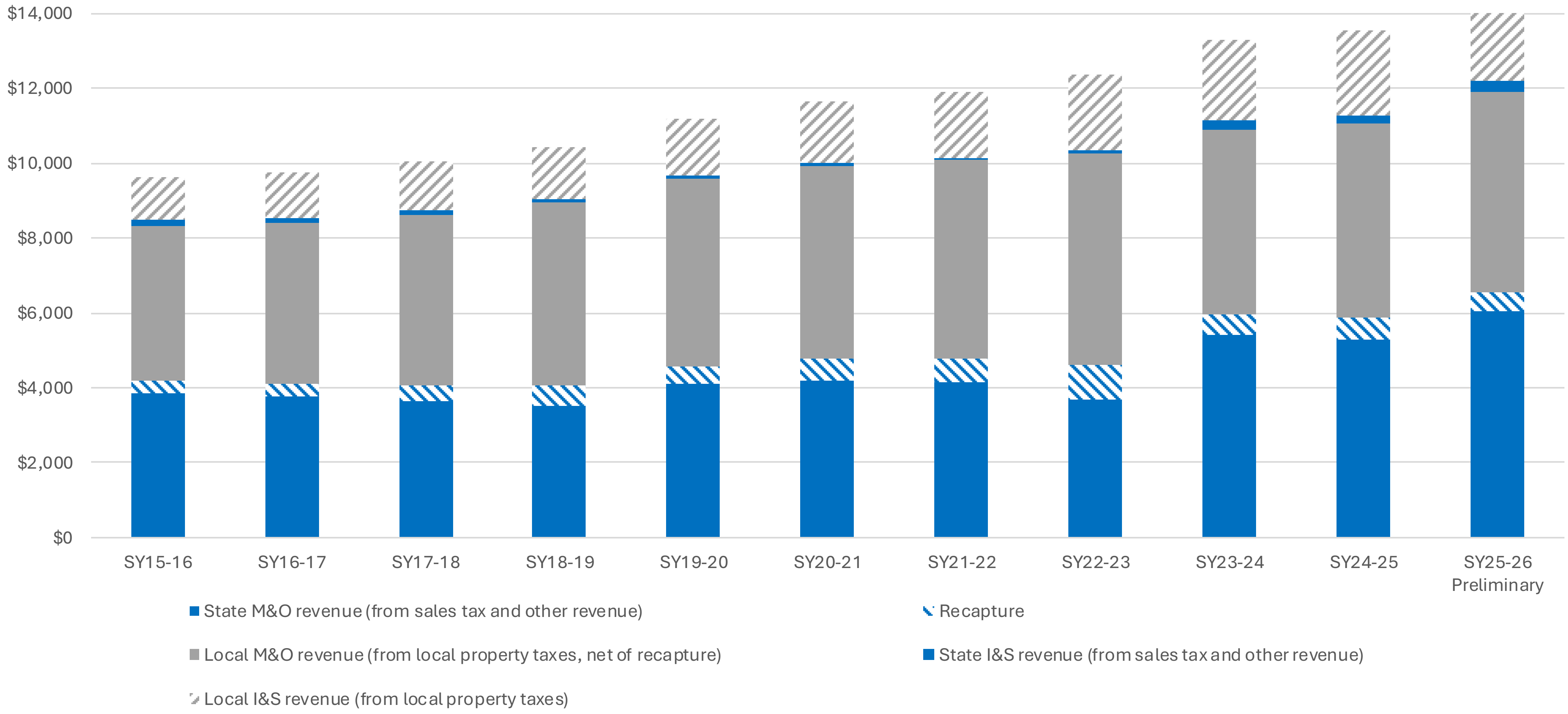
Appendix

Enrollment Trends (Total and Year-over-Year)





FSP Funding per ADA Over Time



Total annual state and local FSP revenue per student in ADA increased from $9,636 in SY 2016 to $14,568 in SY 2026, an increase of 51%.

Other notable state funding, not included in these FSP figures, includes Technology & Instructional Materials (~$160 per ADA / yr) and TRS On Behalf (~$560 per ADA / yr)

Federal Funding per Student has decreased