



School Finance Update

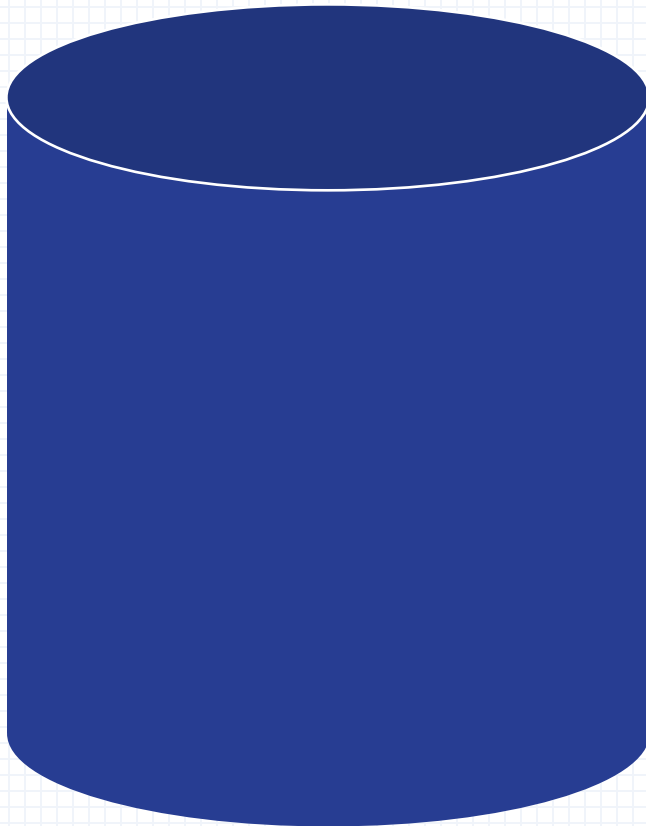

Prepared for





An overly simplified review of...

Texas School Finance



Public schools in Texas receive their funding through a series of formulas and allotments called the **Foundation School Program**.

These formulas determine how much money each school district in Texas is entitled to receive.

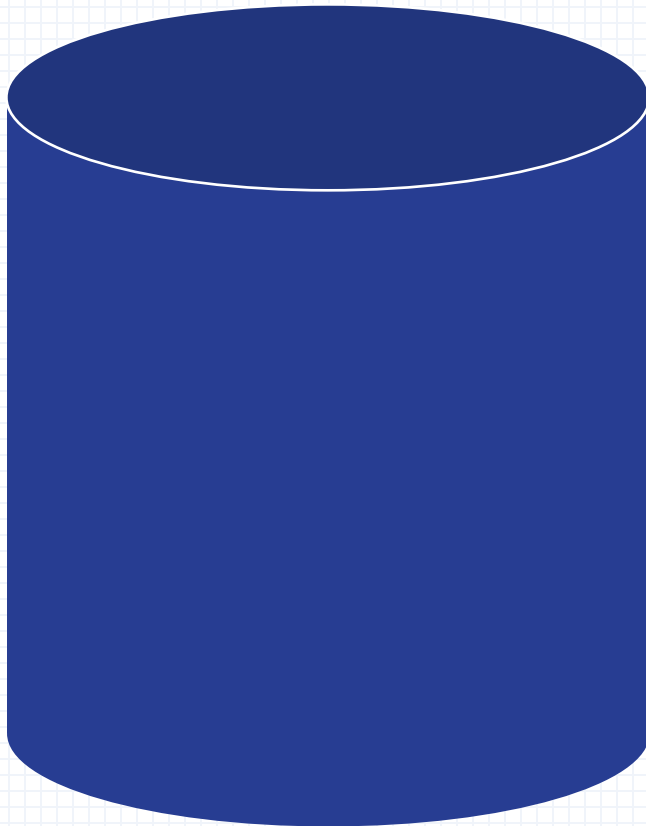
You can think of your school district's entitlement as a **big bucket**.





An overly simplified review of...

Texas School Finance



Generally speaking:



More students means a **bigger bucket**.



More participation in programs like career and technical education and dual language means a **bigger bucket**.

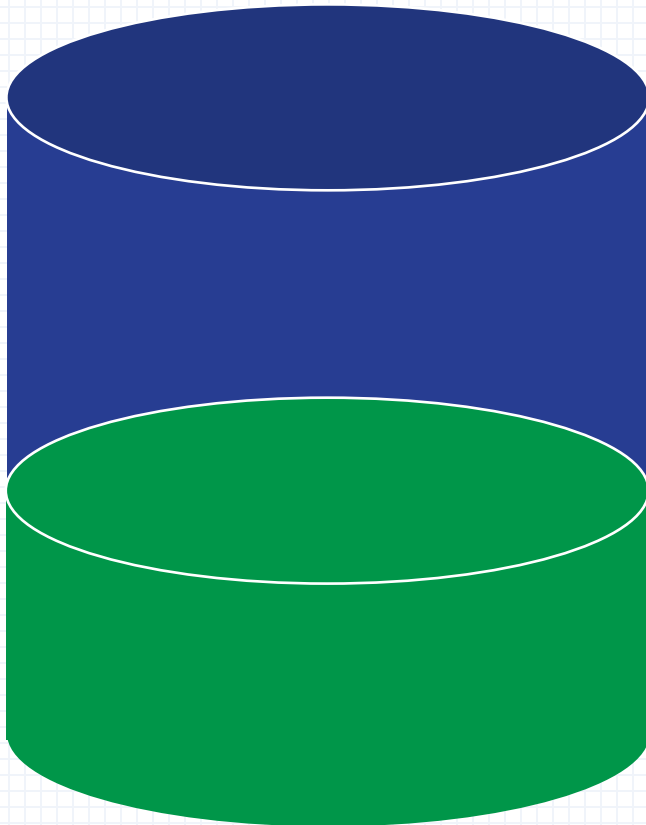


Increasing your tax rate can mean a **bigger bucket**.



An overly simplified review of...

Texas School Finance



When it comes time to provide funding for your district's entitlement, the state first fills the bucket with **local funds**.

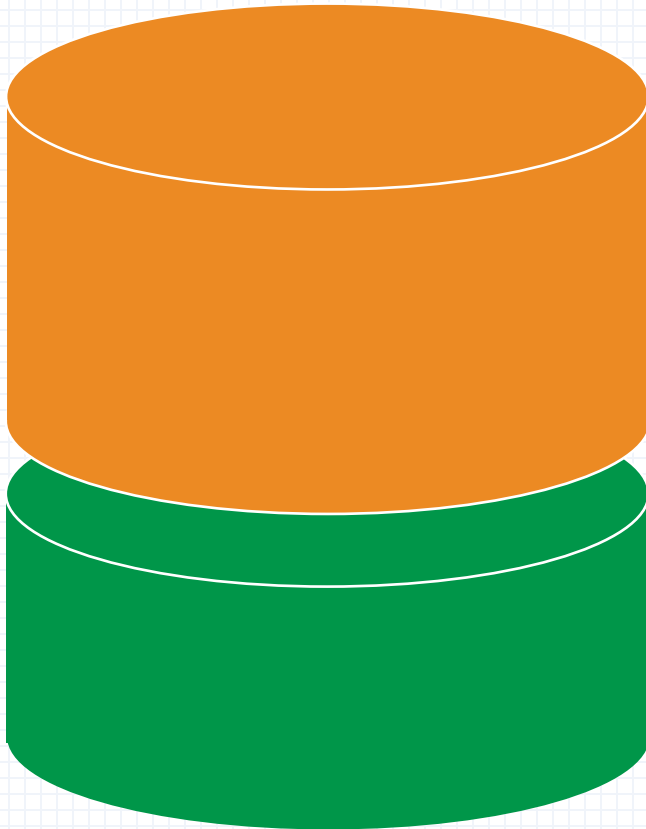
The state looks at your district's property values (*as determined by the Comptroller*) to determine how much of your entitlement will be funded **locally**.

Where the state draws this line is called the **local share** or **local fund assignment**.



An overly simplified review of...

Texas School Finance



If there is any room left, the state fills it with **state aid**.

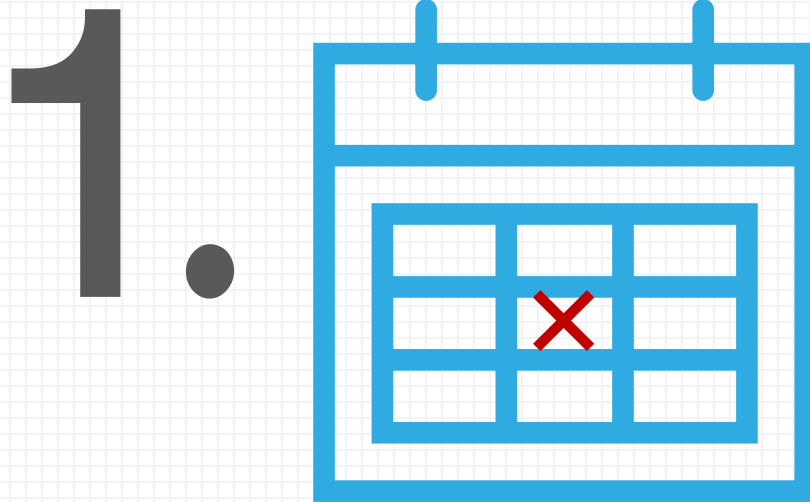


ADA Adjustments

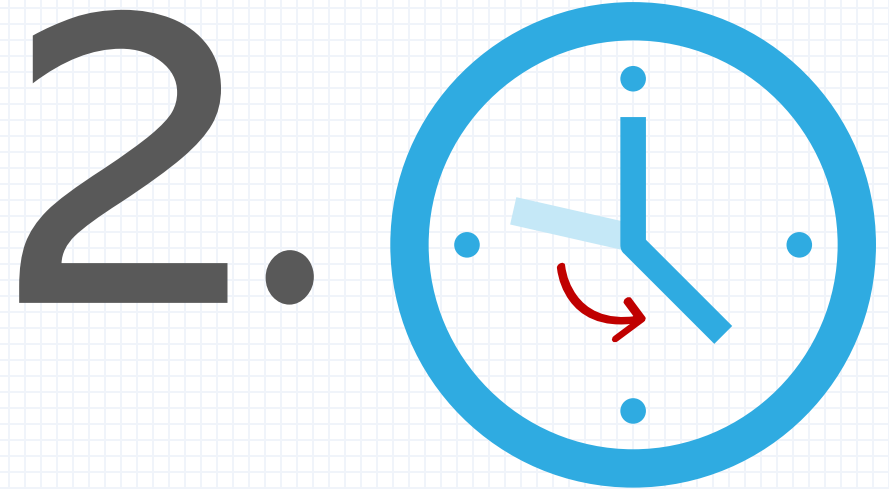


Student
Counts

Change to Low-Attendance
Day Waiver



Operational Minute
Adjustment



FOR 2021-22 ONLY



ADA Adjustments

Operational Minute
Adjustment

Hypothetical 2021-22 Attendance Report

Six-Week Attendance Reporting Period	1st	2nd	3rd	4th	5th	6th	Final / Average
Actual Average Daily Attendance (ADA)	1,505	1,580	1,661	1,674	1,660	1,642	1,620
Actual Percentage Attendance Rate	86.0%	89.0%	91.0%	93.0%	92.0%	92.5%	
Target Percentage Attendance Rate	92.5%	NA	NA	NA	NA	NA	
ADA Reflecting Adjusted Operational Minutes	1,619	1,580	1,661	1,674	1,660	1,642	1,639



Student
Counts

This adjustment will impact all ADA/FTE counts!



Student
Counts

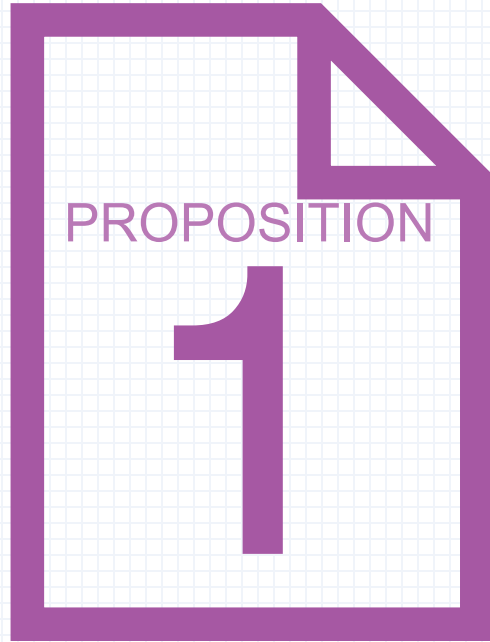
ADA Adjustments

- Neither of these adjustments will help districts facing **low enrollment**.
- The operational minute adjustment will not help districts who are **unable to improve their attendance rates by the spring semester**.
- **TEA is currently evaluating changes to these adjustments, looking for more “comprehensive” approach.**



Property
Taxes

Property Tax Relief

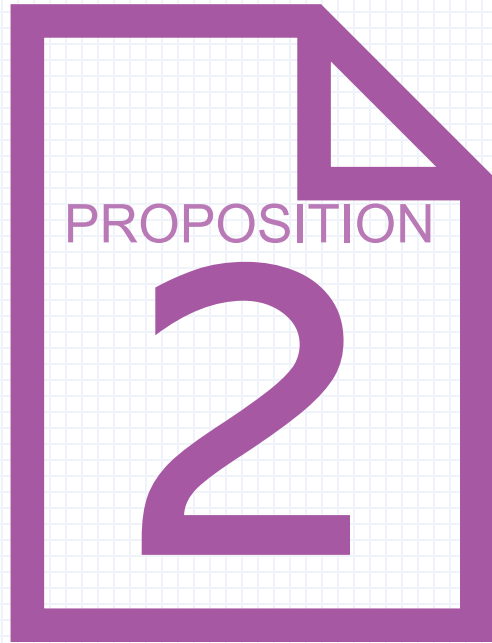


- Ensures that over-65/disabled homeowners would see reductions in their property tax bill due to Tier 1 M&O rate compression established under HB 3.
- **If approved by voters on May 7, this would take effect for 2023 values. Bill includes state aid to offset property tax loss.**



Property
Taxes

Property Tax Relief



- If approved by voters on May 7, this proposition would increase residence homestead exemption from **\$25,000 to \$40,000** beginning with the 2022 tax year.
- Includes additional M&O and I&S state aid to offset impact of lost property tax collections.

However, the I&S hold harmless would only cover taxes needed to service **debt issued prior to Sept. 1, 2021.**

- No adjustments made when calculating tax compression on LPVS. Comparison will be between **property tax base with \$25k homestead exemption vs. property tax base with \$40k homestead exemption.**



M&O Tax Rate Compression





M&O Tax Rate Compression

Texas school districts levy a **maintenance and operations property tax rate**, comprised of two tiers and two levels.





M&O Tax Rate Compression

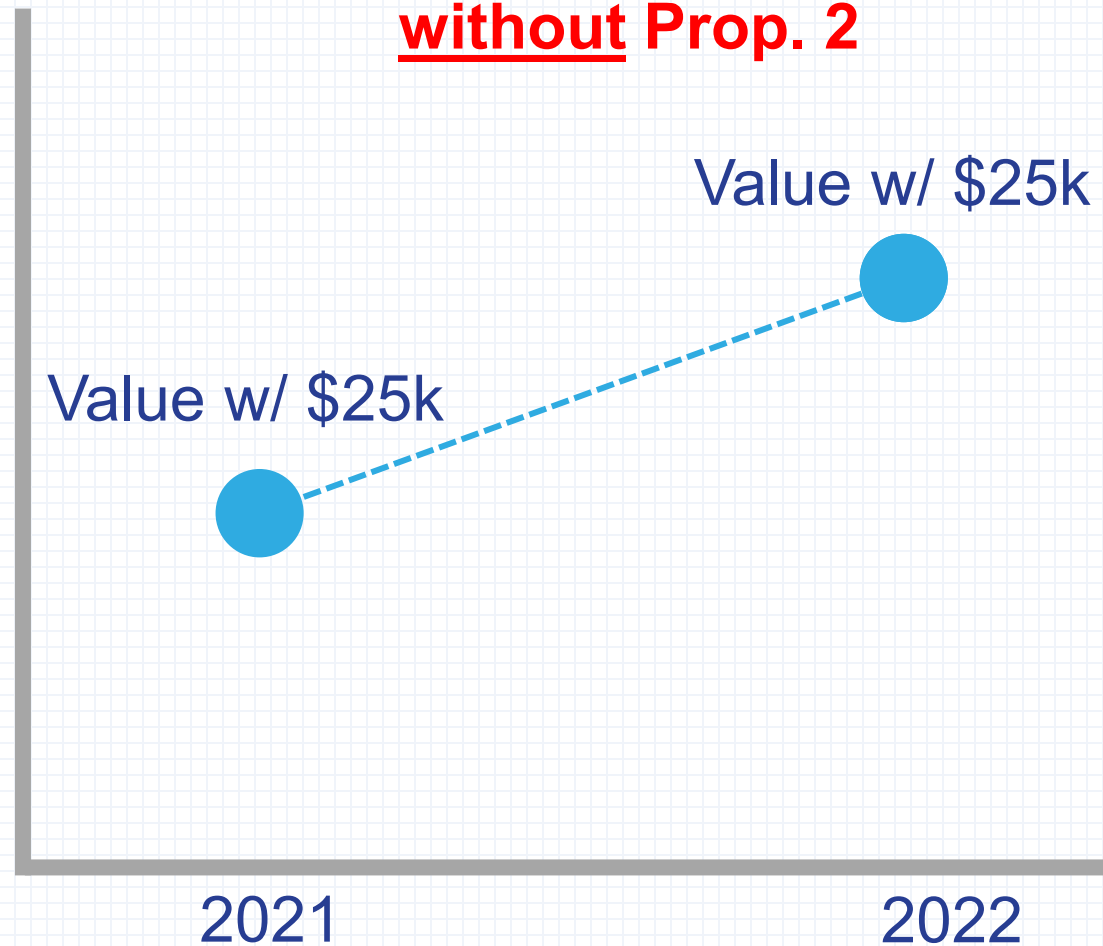


- The **Tier One** portion of a district's rate is subject to **ongoing compression** due to HB 3 (2019). Prior to HB 3, most districts had a Tier One rate of **\$1.00**.
- After HB 3, districts Tier One rate is determined by various formulas that depend on **estimated statewide property value growth** and **local property value growth**.
- TEA notifies districts of the highest Tier One rate they can adopt each summer through the **Local Property Value Survey**.



M&O Tax Rate Compression

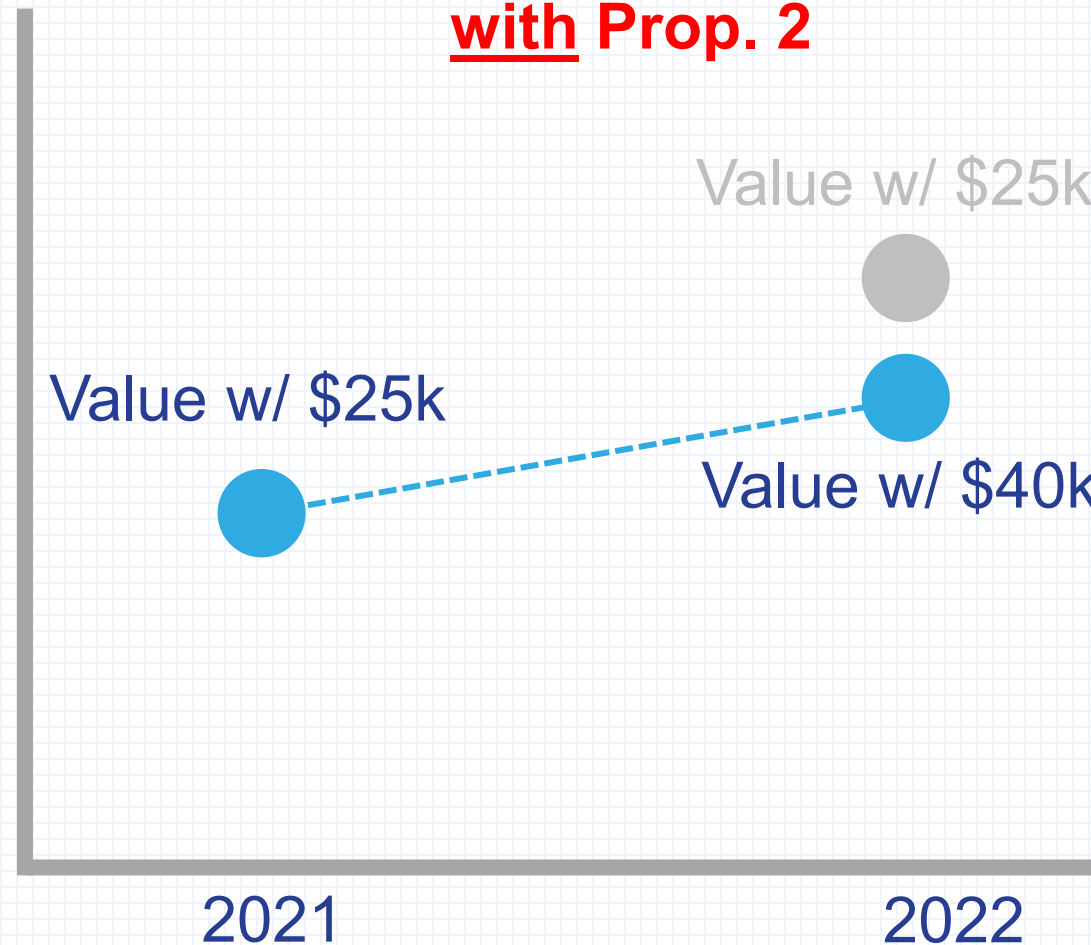
Property Value Growth on LPVS without Prop. 2





M&O Tax Rate Compression

Property Value Growth on LPVS with Prop. 2

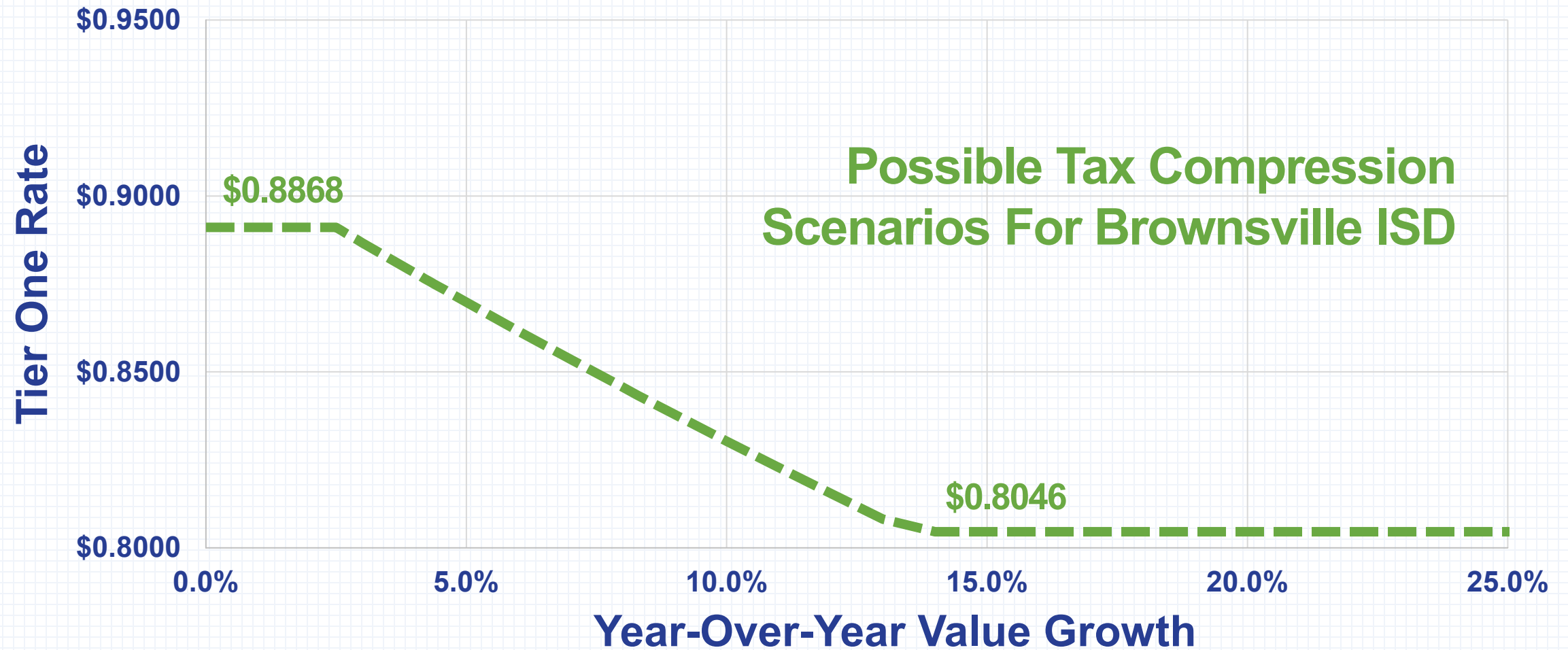


**Lower growth could mean
less – or no – tax
compression
in 2022-23.**



M&O Tax Rate

2022-23 SCHOOL YEAR
Tier One Compression





M&O Tax Rate

Tier One Compression

STATEWIDE COMPRESSION

2019-20: **\$0.9300**

Set by HB 3

2020-21: **\$0.9164**

Calculated based on Comptroller's estimated statewide property value growth of 4.01%.

2021-22: **\$0.9134**

Comptroller's estimated statewide property value growth is 1.84%. However, Legislature funded additional compression of 0.3% due to 90 % floor.

2022-23: **\$0.8941**

Comptroller's estimated statewide property value growth is 4.36%. Legislature funded additional compression of 0.3% due to 90% floor.

LOCAL COMPRESSION

2019-20: **N/A**

No local compression in effect this year.

2020-21: **\$0.8984**

Brownsville ISD saw year-over-year property value growth of 6.10%.

2021-22: **\$0.8868**

Brownsville ISD saw year-over-year property value growth of 3.83%.

2022-23: **\$0.8868 (projected)**

Due to homestead exemption increase, Brownsville ISD will likely see no year-over-year value increase.



M&O Tax Rate | Tier Two

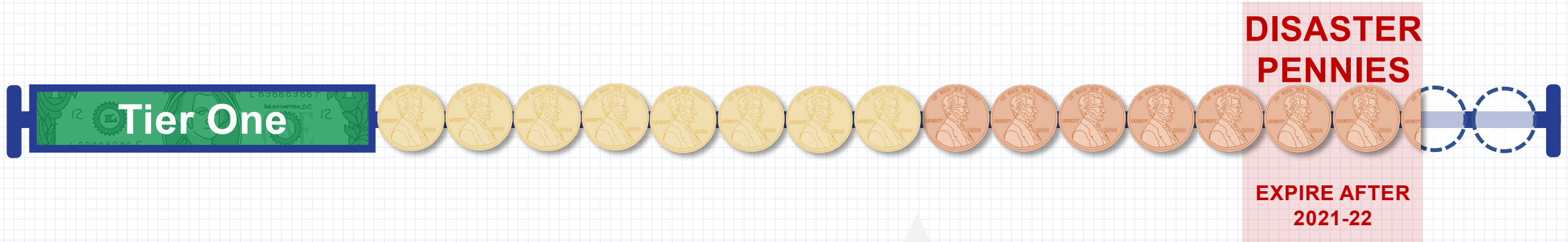


- Districts can levy up to **\$0.17** pennies in Tier Two. The first **\$0.08** are “golden pennies” and the next **\$0.09** are “copper pennies.”
- The first **\$0.05** golden pennies can be adopted by a simple majority of the board.



M&O Tax Rate

2021-22 SCHOOL YEAR
Tier Two



- Brownsville ISD has adopted **\$0.1525** of these pennies during the 2021-22 school year.
- **\$0.1270** of those pennies were permanently adopted through a Voter-Approval Tax Rate Election (VATRE).
- **\$0.0255** of those were adopted in response to a declared disaster. These expire after the 2021-22 school year.



M&O Tax Rate

2022-23 SCHOOL YEAR

Tier Two



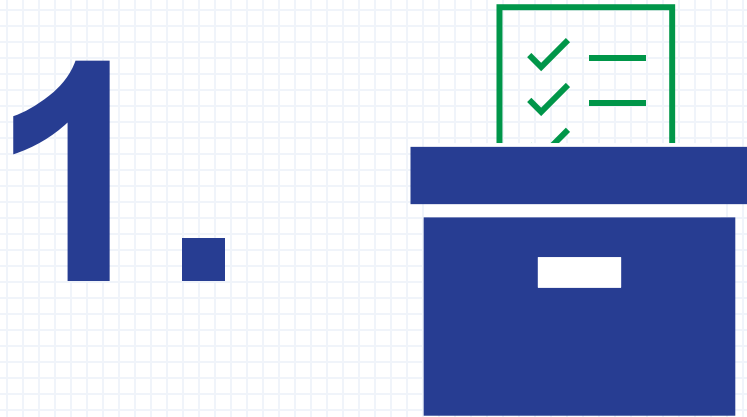
- Without any board action, Brownsville ISD will be limited to **\$0.1270** Tier Two pennies in 2022-23.
- Brownsville ISD has **\$0.0430** remaining Tier Two capacity.



M&O Tax Rate | Tier Two

To access new Tier Two pennies, Texas school districts **have two options:**

**Hold a Voter-Approval Tax
Rate Election (VATRE)**



Adopt Disaster Pennies





Disaster Pennies



- Gov. Abbott declared a **statewide disaster** in response to Winter Storm Uri in Jan. 2021.
- This made **all school districts eligible** to adopt disaster pennies.
- Disaster pennies adopted under this provision **only last one year**. Districts adopt these pennies in the year after which the disaster occurred.



Questions & Comments





MOAKCASEY

PROVEN LEADERS ADVANCING TEXAS SCHOOLS

Buck Gilcrease, Ed. D.
Terry Fauchaux
John Grey
Josh Haney
Gretchen Hoffman
Amy Ma
Kathy Mathias
Toni Riester-Wood, Ph. D.
Associates

Lynn M. Moak
Daniel T. Casey
Partners

Susan Moak
Kari Ruehman
Administrative Staff

Greg Gibson, Ed. D
Lloyd Graham
Larry Groppe, Ed. D.
Ronnie Kincaid
Mary McKeown-Moak, Ph. D.
Alicia Thomas, Ph. D.
Joe Wisnoski
Consultants

901 S. MoPac Expressway, Bldg. III, Ste 310, Austin, TX 78746
Phone (512) 485-7878 Fax (512) 485-7888
www.moakcasey.com