

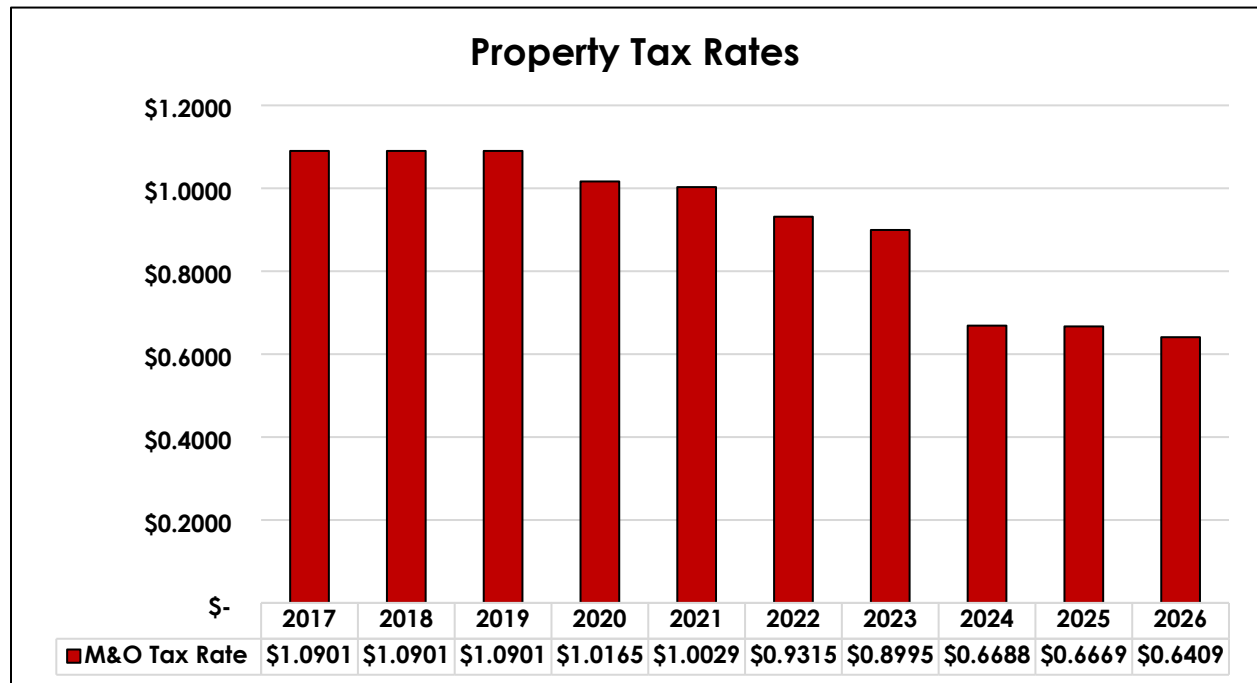
Tornillo ISD tax trend and proposed VATRE

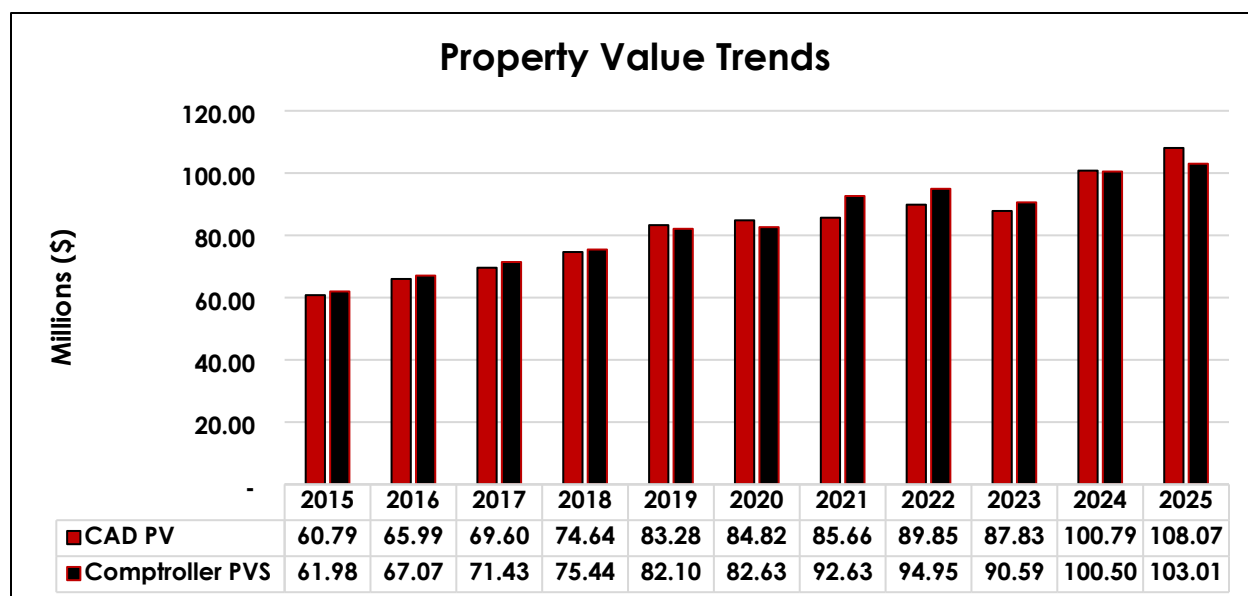
History

In Texas, school districts generate and receive funding for maintenance and operations (M&O) through a two-tiered system. The M&O tax rate comprises the majority of a district's operating revenue.

Tier I M&O funding is determined by a series of formulas based on student attendance and the specific needs of each district's student population. The state and local school district share the cost of its Tier I "entitlement," with the state covering the portion that exceeds the district's share as calculated under the state's school finance formula — known as the "local fund assignment."

The maximum Tier I M&O tax rate a district can levy without voter approval is called the maximum compressed tax rate (MCR), which is calculated annually by the Texas Education Agency (TEA) to proposed rate of 0.5909. Tornillo ISD has the benefit to access 0.05 additional golden pennies discussed later to a total proposed rate of 0.6409. Below are the historical tax rate and property value increase through a ten-year period.





Tier II M&O funding allows school districts to generate supplemental “enrichment” revenue by levying property taxes beyond the MCR. These additional tax effort pennies are split into two categories: “golden” pennies (Tier II, Level 1) and “copper” pennies (Tier II, Level 2), each with different implications for state funding, recapture, and voter approval. The maximum M&O rate for any district in TY 2025 is (0.6169 +0.17)

School districts can levy up to eight “golden” pennies per \$100 of taxable property value for Tier II Level 1 enrichment funding, which is not subject to recapture by the state. These “golden” pennies generate a guaranteed yield of \$129.52 per penny per weighted student. In other words, in districts with a tax base that does not generate this amount of funding, the state “equalizes” the yield by providing additional state funding to the school district up to the guaranteed yield.

The first five of the eight “golden” pennies can be accessed at the school board’s discretion without voter approval. However, the remaining three “golden” pennies require voter authorization through a VATRE.

After tapping into the eight “golden” pennies, districts can levy up to nine “copper” pennies for Tier II Level 2 enrichment funding. These “copper” pennies generate a lower guaranteed yield of \$49.28 per penny per weighted student; they are called “copper” pennies because the guaranteed yield is much lower. Unlike “golden” pennies, the “copper” penny revenue is subject to recapture if it exceeds the district’s Tier II entitlement. Accessing any of the nine “copper” pennies also requires voter approval through a VATRE.

Calculations to determine Tier Two Entitlement

To access the total of 0.17 pennies and generate Tier II funding the increase is calculated below (assumption access 3 golden pennies and 9 copper pennies):

$$L1 = \$129.52 \times 1,433 \times 3 \text{ pennies} = \$556,806$$

$$L2 = \$49.28 \times 1,433 \times 9 \text{ pennies} = \$635,564$$

$$L1 + L2 = \$556,806 + \$635,564 = \$1,192,370$$

At the local level

A VATRE allows a school district to ask voters for permission to adopt a tax rate that exceeds the district's state-calculated MCR plus the greater of five "golden" pennies or the number of Tier II voter-authorized enrichment pennies set in the prior year to generate additional revenue for operational expenses. This additional M&O revenue can be used to fund critical needs such as salary increase, infrastructure needs due to delayed maintenance on the buildings, roofs, and A/C units and vehicles.

If the VATRE is approved by voters in November, the total tax rate can be increased by 0.12 cents to the maximum rate of \$0.17. If we take current numbers the increased tax rate would cost the owner of an average home in Tornillo, which is valued at \$109,255 according to the El Paso Appraisal District, an additional \$11.10 of tax.

Calculation:

$$109,255 - 100,000 = 9,255 / 100 \times \text{proposed rate increase (0.12)} = \$11.10 \text{ or total}$$

$$109,255 - 100,000 = 9,255 / 100 \times \text{proposed tax rate (0.5909 + 0.17)} = \$70.42 \text{ total tax}$$

Taxpayers over age 65 would incur no tax increase unless they make substantial improvements to their home. Furthermore, there is a proposal in Texas legislation to increase the homestead exemption from \$100,000 to \$140,000. If this occurs the homeowners will not pay any tax to the school district.

Next Steps

April 30: Deadline for chief appraiser to certify estimate of district's property values –

July 5: Deadline to select auditor for efficiency audit for districts seeking a VATRE in the November 4, 2025 election (no later than 4 months before Election Day),

July 18 - August 1: TEA Local Property Value Survey regarding taxable property values and local exemption amounts for the preceding and current tax years

July 25: Deadline for chief appraiser to provide certified appraisal roll to district's tax assessor; if the appraisal review board has not approved the appraisal records by July 20, the chief appraiser must prepare and certify an estimate of taxable property value by July 25

August 1: Deadline for tax assessor to determine district property values and submit appraisal roll to the board

August 5: Deadline for TEA to calculate and make available a preliminary maximum compressed tier one tax rate (MCR) for each district

August 9: Latest date for districts planning a VATRE to publish Notice of Public Meeting to Discuss Budget and Proposed Tax Rate (Texas Comptroller's Form 50-280)

August 15 (or 10 Calendar Days after TEA approves preliminary MCR): • Deadline to appeal preliminary MCR • If not appealed, preliminary MCR becomes final

August 19 (78th day before Election Day): Deadline to order a VATRE to be held on the November uniform election date; a district must adopt its budget and tax rate before ordering an election

August 20: Deadline for districts with September 1 fiscal year to prepare a proposed budget

August 21: Latest date for districts with September 1 fiscal year to publish Notice of Public Meeting to Discuss Budget and Proposed Tax Rate (Texas Comptroller's Form 50-280) if not conducting a VATRE

August 31: • Deadline to adopt budget for district with September 1 fiscal year¹⁷ • Deadline for TEA to issue final determination of MCR appeals¹⁸

September 29 or 60 days after receiving certified appraisal roll (whichever is later): Tax rate must be adopted before the later of these dates if not conducting a VATRE

October 4 (no later than three months after auditor appointment): Efficiency audit completed if the board appointed the auditor on July 5; may be earlier if the auditor was appointed before the deadline; final report is due no later than 90 days after appointment

October 4 (no later than thirty days before Election Day): Efficiency audit results posted on district website; before the VATRE, the board must hold an open meeting to discuss the results²¹

November 4 (First Tuesday after first Monday in November): Uniform election date for VATRE²

