

BOERNE ISD

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MAY 15, 2018

SCHOOL FINANCE BASICS

TEXAS SCHOOL FINANCE



- Approximately 5 million kids
- System is based on property value of approximately \$2 Trillion
- \$52B Operation
- Approximately 31.4B in tax collections
- Approximately 20.6B in state aid

TEXAS PUBLIC SCHOOL FINANCE



- During the 2017-18 school year school districts in the state of Texas will spend over \$52B educating students
- Of that amount approximately 60% of that money will come from local ad valorem property taxes and approximately 40% will be some type of state aid

TEXAS PUBLIC SCHOOL FINANCE



- It is estimated that in 2018-19 local ad valorem property taxes will comprise 62% of the funding and state aid will comprise 38%
- In the 2013-14 school year the state contributed 45% of the total spending on public ed

WHAT MAKES BOERNE UNIQUE



- Boerne's student population is one of the fastest growing in the state
- Boerne is also experiencing rapid growth in property values

THE TEXAS SYSTEM OF SCHOOL FUNDING



- The Texas system of school funding is based on the ad valorem property tax
- Funding formulas for both Chapter 41s and Chapter 42s are based on property wealth per student
- **All funding formulas are based on wealth per student**

FUNDING TEXAS PUBLIC SCHOOLS



- Texas school districts are funded by some combination of local ad valorem tax collections and state aid
- School districts that are relatively property wealthy per student will generate most funding from local tax collections
- School districts that are relatively property poor per student generate most funding from state aid

TEXAS SCHOOL FUNDING



- School districts in the state of Texas levy and collect taxes on a current year tax appraisal (CAD Value)
- The state funding that a district generates is determined by a prior year appraisal certified by the Texas Comptroller of Public Accounts (CPTD Value)

SCHOOL FUNDING IS BASED ON THE PROPERTY TAX



- Boerne ISD's current year (CAD) 2017 value (approximately 6.4B) was certified by the County Appraisal District on July 25, 2017 -- This is the value on which Boerne ISD is basing its current tax levy and collections
- Boerne ISD's prior year (CPTD) value (approximately 5.989B) was certified by the Texas Comptroller in late July 2017 --- This value is used as the basis for Boerne ISD's state funding and recapture calculations

BOERNE ISD PROPERTY VALUES

TAX YEAR /SCHOOL YEAR	TAXABLE VALUE	WAD A	WEALTH PER WADA	RECAPTURE
2012 (2012-13 School Year	\$4,741,453,719	7,873	\$602,243	\$8,255,383
2013 (2013-14 School Year	\$4,980,724,764	8,118	\$613,540	\$7,401,757
2014 (2014-15 School Year	\$5,181,447,972	8,421	\$615,300	\$7,743,188
2015 (2015-16 School Year	\$5,597,316,382	8,906	\$626,488	\$6,106,908
2016 (2016-17 School Year	\$5,972,073,704	9,397	\$635,529	\$7,657,553

BOERNE ISD PROPERTY VALUES

TAX YEAR /SCHOOL YEAR	TAXABLE VALUE	WADA	WEALTH PER WADA	RECAPTURE
2017 (2017-18)	\$6,421,480,810	9,833	\$653,054	\$9,258,777
2018 (2018-19)	\$7,261,443,877	10,275	\$706,709	\$11,086,105

STUDENT COUNTS DRIVE FUNDING



- Average Daily Attendance (ADA)
- Weighted Average Daily Attendance (WADA)

WHAT IS WEIGHTED ADA OR WADA?



- WADA is calculated by dividing the sum of the school districts allotments under Subchapter B and C, less any allotment to the district for transportation, any allotment under Section 42.158, and 50% of the adjustment under Section 42.102, by the Basic Allotment for the applicable year



WHAT IS WEIGHTED ADA OR WADA

- WADA IS A MEASURE OF THE EXTENT A SCHOOL DISTRICT'S STUDENTS IN AVERAGE DAILY ATTENDANCE ARE PARTICIPATING IN SPECIAL PROGRAMS

WEIGHTED ADA OR WADA



- WEIGHTED ADA OR WADA WILL BE USED IN THE CHAPTER 41 RECAPTURE FORMULAS, AND THE CALCULATIONS IN TIER 2

WEIGHTED ADA OR WADA



- CHAPTER 41 WADA AND CHAPTER 42 WADA ARE THE SAME EXCEPT FOR DISTRICTS THAT CHARGE TUITION TO EDUCATE NON-RESIDENT STUDENTS
- THE CHAPTER 41 WADA CALCULATION WORKSHEET WILL DETERMINE THE NUMBER OF WADA ASSOCIATED WITH THE NON- RESIDENT STUDENTS BEING CHARGED TUITION AND SUBTRACTS THESE FROM TOTAL WADA

BOERNE ISD STUDENT COUNTS



□ Estimated 2017-18 Student Counts

□ ADA 8,284

□ WADA 9,833

BOERNE ISD STUDENT COUNTS



School Year	Average Daily Attendance	Weighted ADA
2012-13	6,766	7,873
2013-14	6,898	8,118
2014-15	7,185	8,421
2015-16	7,592	8,906
2016-17	7,934	9,397
2017-18	8,284	9,833
2018-19 (Estimated)	8,641	10,275

BOERNE ISD TAX RATES



- Texas school districts levy taxes for Maintenance and Operation and Interest and Sinking
- Total Tax Rate \$1.354
 - M&O Rate \$1.04
 - I&S Rate \$.314

ISD TAX RATES



- To raise the M&O tax rate above \$1.04 or the calculated Rollback Rate a Tax Rate Election or a TRE would be required
- The maximum M&O rate allowed under current law is \$1.17
- Approximately 400 Texas school districts have approval from the voters to exceed \$1.04

M&O TAX RATES AND RECAPTURE



- Revenue levied and collected at the district's compressed rate (\$1) is subject to recapture at the first = level of \$514,000 per weighted ADA
- Revenue collected on the first six pennies in excess of the districts compressed rate (\$1) are not subject to recapture
- Revenue collected on pennies in excess of six pennies above the compressed rate (pennies from \$1.07 to \$1.17) are subject to a very high rate of recapture (\$319,500 per WADA)

SCHOOL DISTRICT M&O TAX RATES



- Is a TRE (Tax Rate Election) a viable option for Boerne ISD to raise additional M&O revenue?
- Considerations
 - The first 6 pennies levied in excess of the compressed tax rate are recapture free
 - Pennies levied in excess of 6 pennies over the compressed rate and up to \$1.17 are subject to the second = Wealth Level
 - Revenue on pennies levied and collected by Boerne ISD in excess of \$1.06 and up to \$1.17 would be subject to a recapture rate of approximately 50%

FAST GROWTH SCHOOL TAX RATES

District	M&O Rate	I&S Rate	Total Tax Rate
Liberty Hill	1.04	.50	1.54
Hays Consolidated	1.04	.4977	1.5377
Dripping Springs	1.17	.35	1.52
Schertz Cibilo	1.04	.45	1.49
Bastrop	1.04	.4010	1.441
Seguin	1.04	.37	1.41
Lake Travis	1.04	.3675	1.4075
Comal	1.04	.35	1.39
Northside	1.04	.3355	1.3755
North East	1.04	.3250	1.365
Boerne	1.04	.3140	1.354
New Braunfels	1.0133	.3258	1.3391
Lockhart	1.04	.2924	1.3324

FUNDING TEXAS PUBLIC SCHOOLS



- For most school districts in the state of Texas it works like this-----The formulas use a two tiered funding system to determine the amount of state and local money that a school district is due based on the following data:
 - The number of students in Average Daily Attendance
 - The number of students in Weighted Average Daily Attendance
 - The number of students who participate in special programs
 - The size of the district
 - The location of the district
 - The M&O tax \$ that the district actually collects by levying an M&O tax rate against a current year appraised value

FUNDING TEXAS PUBLIC SCHOOLS



- The amount of local money that a district is required to raise is determined by a local fund assignment calculated in both funding tiers----This local fund assignment is calculated using a prior year (CPTD) value certified by the Texas Comptroller
- The difference between the total amount of state and local revenue due a district under the formulas and the local money or the local fund assignment the district is required to raise is the amount of state money owed to the district

SCHOOL FUNDING EQUITY



- There are wide variances in property value per student in districts around the state of Texas
- In an attempt to provide some degree of funding equity among Texas School Districts there are guaranteed yield per penny provisions in the funding formulas as well as provisions for recapture of local revenue collected over certain = wealth levels

BOERNE ISD 2017-18 M&O BUDGET



- Total Budgeted Expenditures

 - \$75,287,639

- Budgeted to be Spent to Educate Children

 - Total Budgeted \$75,287,639

 - Recapture -\$9,258,777

 - TRS On Behalf -\$3,316,038

 - Spent on Education **\$62,712,824**

WHERE IS THE \$ SPENT?



□ BISD Budgeted Expenditures

□ Instruction	\$38,574,068
□ Library Services	\$778,651
□ School Administration	\$3,890,287
□ Counseling	\$2,750,455
□ Health Services	\$744,794
□ Transportation	\$2,327,359
□ Co Curricular	\$2,041,634
□ General Administration	\$2,446,341
□ Plant Services	\$7,308,787
□ Data Processes	\$1,730,916
□ Recapture	\$9,040,354

WHAT ARE THE SOURCES OF M&O \$



□ Misc. Local Revenue	\$959,950
□ Federal Revenue	\$351,000
□ State Revenue	\$4,999,870
□ State Share of Tier 1	
□ State Tier 2	
□ M&O Property Taxes	\$65,789,223
□ Recapture	(\$9,258,777)
□ Total	\$62,841,257

BOERNE STATE REVENUE



- The funding formulas guarantee a minimum yield per penny in both Tier 1 and Tier 2 of the funding formulas
- Revenue on the first 6 pennies levied and collected over the district's compressed tax rate are recapture free and are guaranteed the Austin yield per penny per WADA

BOERNE STATE REVENUE



- How does Tier 2 Work for Boerne ISD?
- Tier 2 Guaranteed Yield
 - Boerne Yield Per Penny **\$597,207**/ WADA
9,833 = \$60.70 Per Penny Per WADA
 - Austin Yield Per Penny Per WADA \$99.41
 - Austin Yield \$99.41 X Boerne WADA 9,833
= \$977,498
 - State match on these pennies approximately
\$2.3m

= WEALTH LEVELS



- Current Texas school funding law establishes 2 = wealth levels
 - The first = wealth level of \$514,000 per Weighted ADA applies to revenue collected at the districts compressed rate
 - The second = wealth level of \$319,500 per Weighted ADA applies to revenue collected on pennies in excess of 6 pennies over the compressed rate

HOW IS WEALTH PER WADA DETERMINED?



- Prior Year (CPTD Value) / Current Year WADA
- Boerne ISD 17-18 Wealth Per WADA
 - 16 T2 Values \$5,972,073,704 / 2017-18 estimated WADA 9,833 = \$607,350 Wealth per WADA

HOW IS WEALTH PER WADA DETERMINED?



- Prior Year (CPTD Value) / Current Year WADA
- Boerne ISD Estimated 18-19 Wealth Per WADA
 - 17 T2 Values \$6,421,480,810 / 2018-19 estimated WADA 10,275 = \$624,961 Wealth per WADA

= WEALTH LEVELS



- Revenue collected on the first 6 pennies in excess of the district's compressed rate is not subject to recapture
- Revenue collected for Interest and Sinking (I&S) is not subject to recapture

CALCULATING BOERNE'S RECAPTURE IN 5 EASY STEPS

- TEA begins by determining a Tax Base at the = Level (Weighted ADA 9,833.1710 X \$514,000 = \$5,054,249,894)
- Excess Tax Base is then determined by subtracting the Tax Base at the = Level from the district's prior year (16) property values (\$5,972,073,704 - \$5,054,249,894 = \$917,823,810)
- The Proportional Tax Base Reduction that Boerne will pay on taxes collected at the compressed rate (\$1) is calculated by dividing the Excess Tax Base by the prior year (16) property values (\$917,823,810 / \$5,972,073,704 = 15.37%)

CALCULATING BOERNE'S RECAPTURE IN 5 EASY STEPS

- Taxes collected at the compressed rate is then multiplied by the Proportional Tax Base Reduction to compute Cost Before Any Discounts ($\$61,993,691 \times .1537 = \$9,527,559$)
- Boerne ISD is eligible for an Early Agreement Credit and a Credit For CAD Costs:
 - Cost Before Any Discounts \$9,527,559
 - Early Agreement Credit (\$142,852)
 - Credit for CAD Costs (\$125,930)
 - Final Discounted Cost \$9,258,777

WHAT ARE THE SOURCES OF M&O \$



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□ State Revenue	\$4,999,870
□ State Share of Tier 1	
□ State Tier 2	
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□ Total	\$62,841,257

HOW MUCH DOES BOERNE SPEND ON DEBT SERVICE?



- Boerne ISD is currently levying an I&S tax rate of .314 generating approximately \$20m to service the districts debt

FINANCE ACCOUNTABILITY RATINGS



- The district has received “clean” “unmodified” audit reports
- The district received the top “A” rating on the last Financial Integrity Rating System of Texas report scoring 94 out of a possible 100 points

WHAT HAPPENS WITH STATE FUNDING NOW?



- Texas Finance Commission
- Looking ahead to the 2019 regular session
 - How much \$ will be available?
 - What are the total storm related costs?
 - Who will be speaker of the house?

SUMMARY



- Questions???
- Comments???