

School Finance Update

September 27, 2021



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TEXAS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Voter Approval Tax Rate: The maximum tax rate the board of trustees may adopt without voter-approval at a voter approval tax ratification election (VATRE)

MCR + allowed enrichment pennies + current debt rate

Texas Tax Code 26.08(n)

Allowed enrichment pennies are the greater of prior year enrichment pennies (adjusted down if the legislature increases the guaranteed yield on copper pennies) or \$0.05

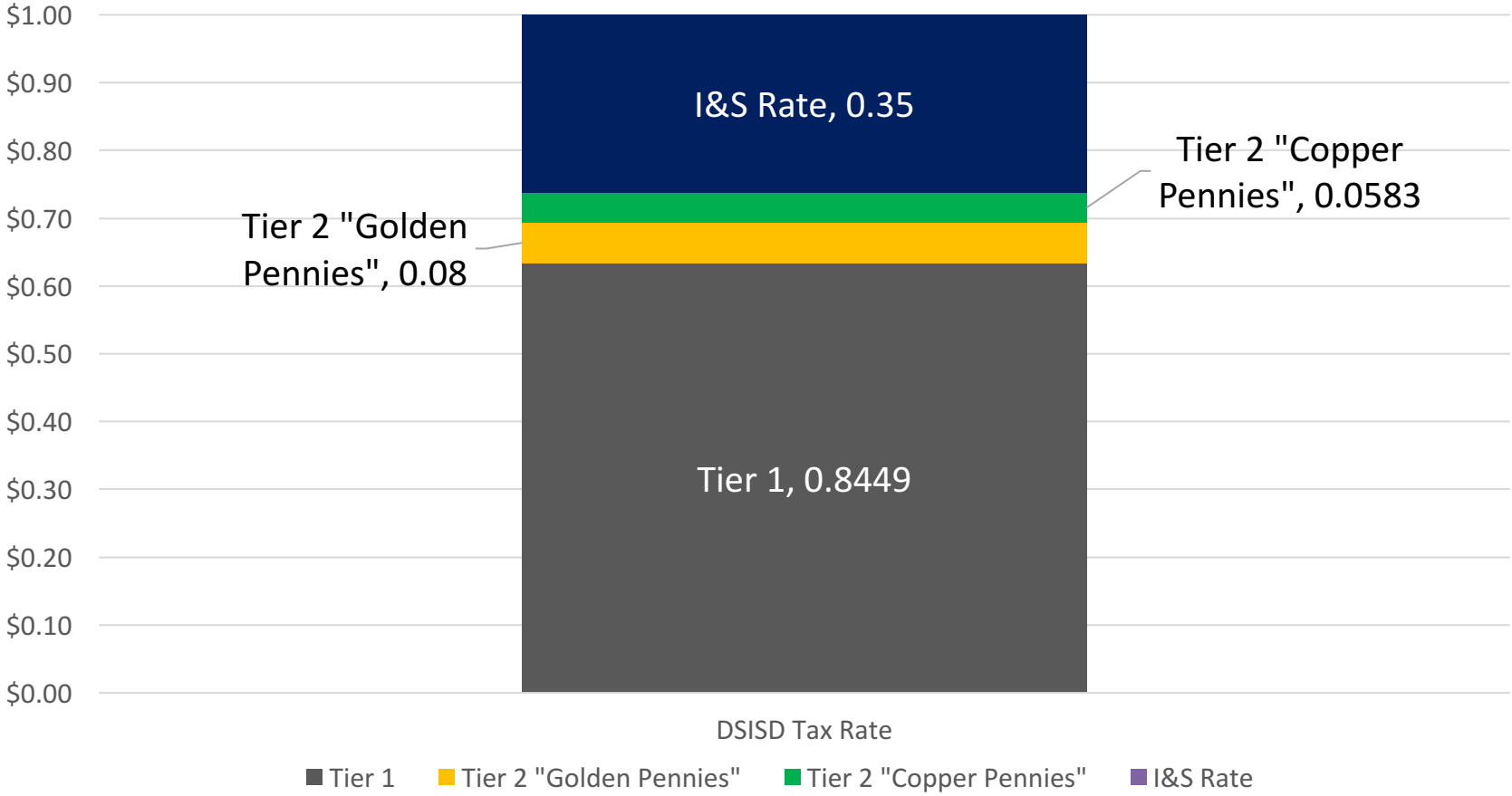
No New Revenue Tax Rate: A calculated rate that is intended to produce no additional property tax levy. It only refers to **local revenue** (state aid and recapture are not reflected). The district will calculate using comptroller truth-in-taxation forms after the certified value is available.

(Last Year's Levy – Lost Property Levy)

(Current Total Value – New Property Value)

Texas Tax Code 26.04(c)(1)

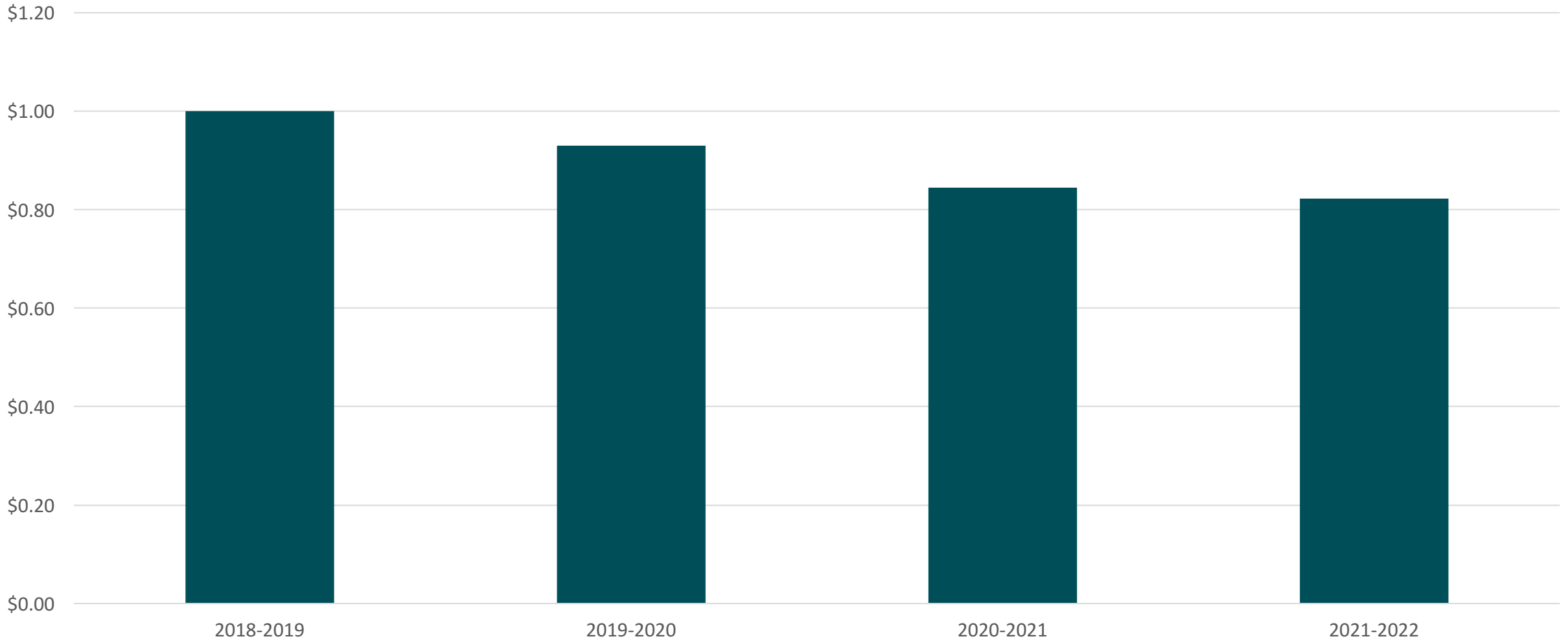
DSISD 2020 Tax Rate Components



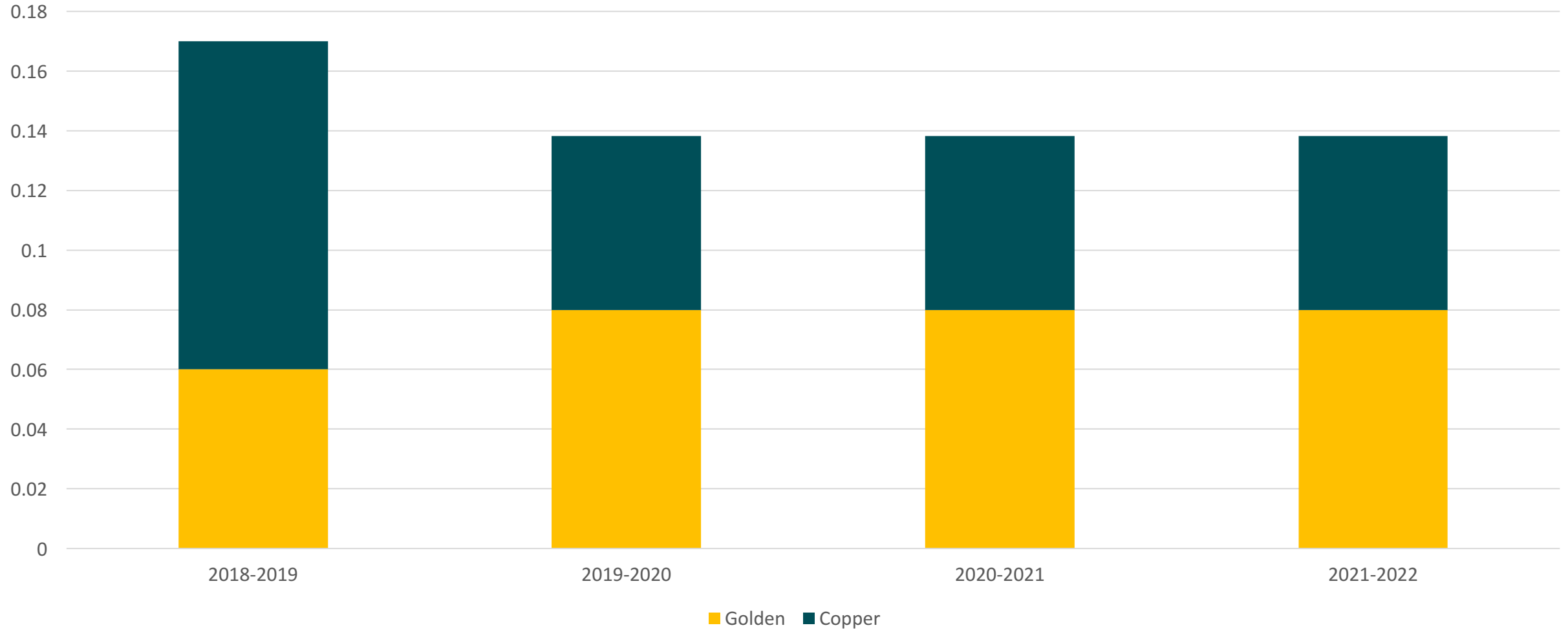
Maximum Compressed Tax Rate

- Set by TEA based on growth in appraised values
- Varies statewide between \$0.8220 and \$0.9134
- DSISD is at the lowest allowed MCR of \$0.8220
- Districts that adopt a rate lower than the MCR would see a reduced basic allotment and therefore either increased recapture or reduced state aid

DSISD Tier 1 Tax Rate (MCR)



DSISD Tier 2



Tier 2 Pennies

- DSISD currently has \$0.08 “golden pennies” and .0583 “copper pennies”
 - The district does not pay recapture on golden pennies. It would lose both local and state revenue if it reduced the number of “golden pennies” it levies
 - The district pays recapture on copper pennies, but would see an overall revenue loss (combined state and local revenue net of recapture) if it were to reduce copper pennies

State Aid, Recapture and Tax Rates

- Generally, recapture can be thought of as the state's mechanism to collect back any local taxes that are greater than the size of the state-determined entitlement
- The entitlement is based on the student counts and tax rate
- The more students, the bigger the cup
- The lower the tax rate, the smaller the cup
- Shrinking the tax rate would
 - Reduce local collections
 - Reduce state aid
 - Reduce DSISD's overall budget (local taxes plus state aid minus recapture)



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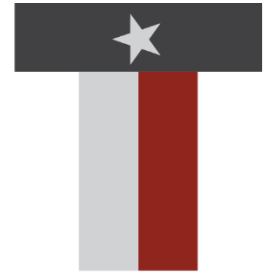
MCR + allowed enrichment pennies + current debt rate

Texas Tax Code 26.08(n)

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Voter Approval Tax Rate

- Lowering enrichment pennies would reduce the allowed tax rate for DSISD going forward
- Using a surplus in one year to reduce the M&O tax rate would mean the district would have to hold another election to get back up to this year's revenue per student



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