

Property Values Discussion

Board Special Meeting
May 9, 2023

Note: Required discussion of Property Values pursuant to FIRST requirements.



FIRST Requirement



- Indicator 20: Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget?
 - This indicator measures whether the school board had the opportunity to consider the impact of changes in property value on the finances of the district.
 - If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.



State Funding Change to Current Year Property Values

- Prior to House Bill 3, the State used Prior Year Taxable Property Values in the Funding Formula;
- Annual Property Value Growth would generate more revenues than the prior year values provided, and had been referred to as “lag” revenue;
- House Bill 3 implemented use of Current Year Taxable Values, which eliminated the gain associated with growth in the Taxable Values.
- There are two major components in the state funding formula: Tier One and Tier Two
 - Ultimately, the “driver” in general fund revenue is ADA, or students.



HB3 Tax Compression

- Tax Compression was part of HB3 in 2019: It does not impact overall funding, it impacts the balance of local and state funding ($A+B=C$) in Tier One entitlement.
 - As local funding (A) increases, State funding (B) will decrease, tax compression is not supposed to affect the total (C).
 - In TY 2022, state and local compression will apply to the District's Tier One tax rate
 - State and local compression work in parallel, and districts receive the method which results in the greatest amount of compression.



HB3 Tax Compression

- State Compression (TY 2022)
 - State compression compares the extent to which estimated statewide property value growth (set by the General Appropriations Act at 4.36 percent for TY 2022) exceeds 2.5 percent to determine the MCR for TY 2022, calculated using the formula below. Additionally, in accordance with TEC, §48.2552(c), after accounting for additional state revenue determined under TEC, §48.2552(b), the maximum state compression rate for TY 2022 will continue to be reduced by an additional 0.003 pennies.

$$\text{TY 2022 State MCR} = 0.9134 \times (1.025 \div 1.0436) - 0.003 = \text{\$0.8941}$$



HB3 Tax Compression

- Local Compression (TY 2022)
 - Local compression uses individual district property value growth compared to 2.5 percent to determine the MCR. Since districts receive the lesser of the MCR calculated under state compression or local compression, of the districts with a prior year MCR of \$0.9134, only districts whose local value growth exceeds 4.36 percent (the statewide growth in property values) will have additional compression below \$0.8941 (the state compression MCR)



MCR Calculation

22-23



Enter CDN=>

220905

FORT WORTH ISD

TY 2021 Value Lost to the Local Optional Homestead Exemption	\$0
TY 2021 Comptroller Certified School District Taxable Value for M&O Purposes (T2) (with \$25K HE)	\$44,808,184,623
TY 2021 Chief Appraiser's July 25th Certified Taxable Property Values from the Certified Appraisal Roll (with \$25K HE)	\$46,384,310,283
TY 2022 Chief Appraiser's July 25th Certified Taxable Property Values from the Certified Appraisal Roll (with \$40K HE)	\$51,114,407,324
CAD Value Growth (calculated)	10.20%
TY 2022 Property Value No Longer Subject to a Limitation on Appraised Value under Chapter 313, Tax Code	\$0
TY 2022 Property Value No Longer Subject to a Limitation on Appraised Value under Chapter 311, Tax Code	\$0
Total Exemption expiry (E) (per TEC §48.2551 (a))	\$0
Growth Net of Expiring Chapter 313 or 311 Agreements (calculated)	10.20%
TY 2022 Local Optional Homestead Exemption Value Loss	\$0
Local Optional Homestead Exemption Value Change (calculated)	\$0
Estimated TY 2022 Comptroller Certified School District Value for M&O purposes (T2) (with \$40K HE)	\$49,377,554,313
Prior Year (TY 2021) Maximum Compressed Tax Rate (MCR)	0.8812
Local Preliminary MCR = $(1.025((TY\ 2021\ DPV+E) * PYMCR)) / TY\ 2022\ T2$	0.8196
TY 2022 State Compression Percentage (lesser of PY State MCR or $(0.9134 * (1.025/1.0436)) - 0.003$)	0.8941
TEC §48.2552 TY 2022 Limitation on Maximum Compressed Tax Rate ($0.8941 * 0.9$)	0.8046
MCR (lesser of state or local compression) (greater of local compression limitation under TEC §48.2552)	0.8196

<=from last years LPVS
Optional District Entry

<=District Entry

<=District Entry

Tier Two Component

- Tier Two Enrichment (based on local tax effort)
 - Tier Two of the FSP is intended to supplement basic funding provided by Tier One. Tier Two guarantees specific level of funding per student in weighted average daily attendance, or WADA, for each penny of tax effort above a school district's maximum Tier One tax rate (also referred to as the state maximum compressed tax rate, or MCR). The funding provided by this additional tax effort is also referred to as *enrichment*.
 - Currently the District has 17 pennies above the MCR



Recapture

- Texas Education Code makes provisions for certain districts with excess local revenue to pay funds into the Foundation School Program for distribution to other school districts

School Districts with
Excess Local Revenue

RECAPTURE FUNDING

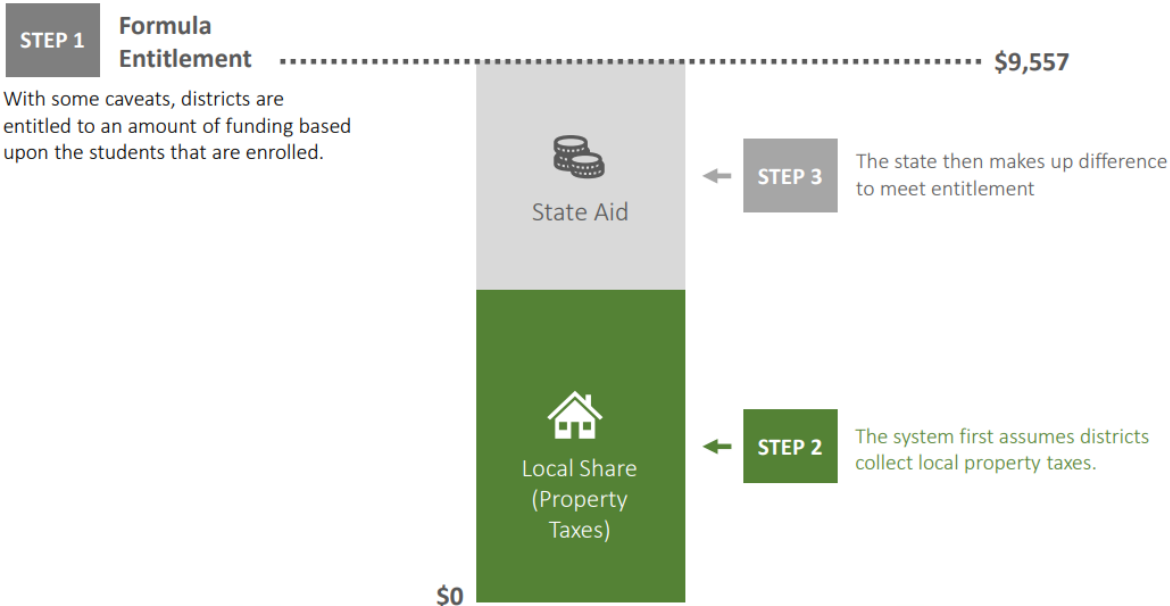
All School
Systems



Recapture



What is the basic structure of school finance?



With some caveats, districts are entitled to an amount of funding based upon the students that are enrolled.

The state then makes up difference to meet entitlement

The system first assumes districts collect local property taxes.

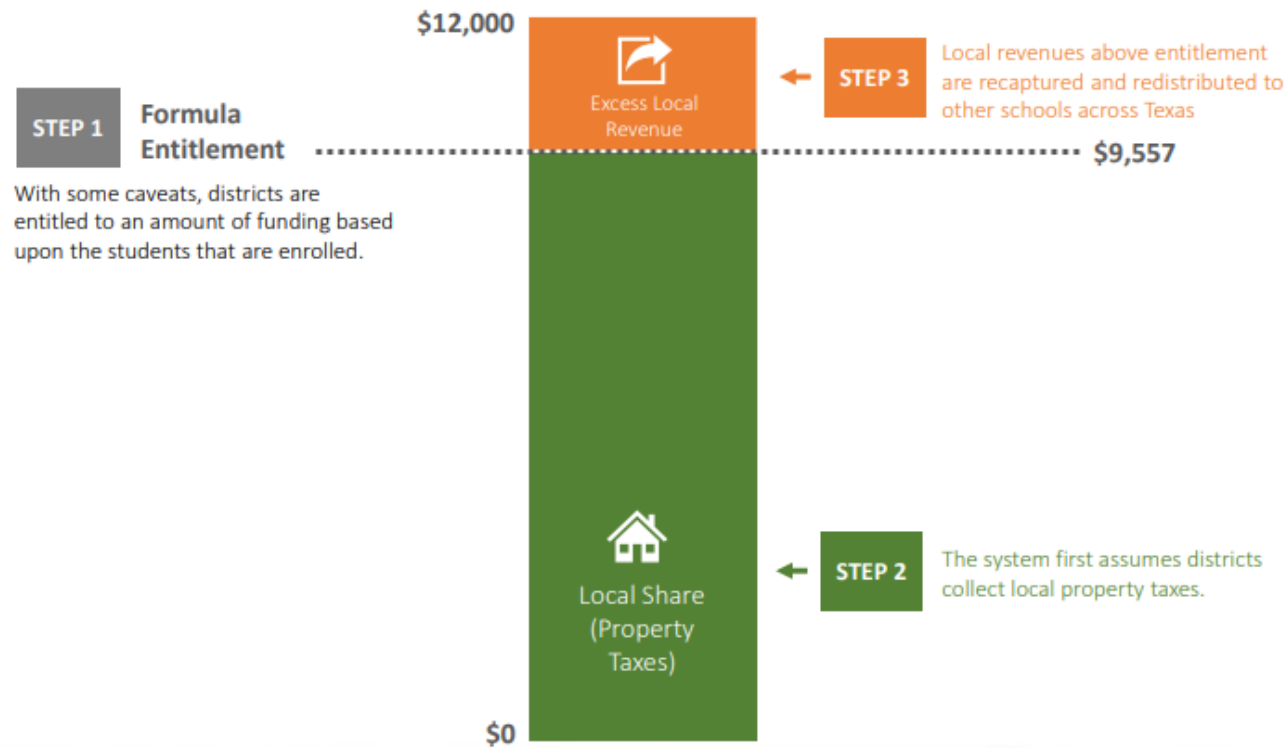
*The entitlement value of \$9,557 is the average of all districts M&O Tier I & Tier II funding entitlement in 2019-2020.

Source: [PowerPoint Template \(texas.gov\)](#)

Recapture



When does recapture occur?



The entitlement value of \$9,557 is the average of all districts M&O Tier I & Tier II funding entitlement in 2019-2020; \$12,000 is illustrative.

Source: [PowerPoint Template \(texas.gov\)](https://www.texas.gov/powerpoint-template)

Recapture



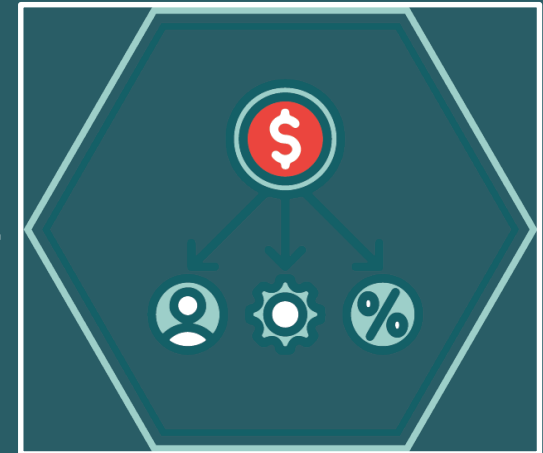
Fiscal Year	Recapture Amount
2022-23	\$3,167,000
2023-24	\$8,656,435

Note: TEA has not formally notified the District that it is in recapture state however, internal calculations indicate as such. The District staff will propose an adjustment in a future board meeting to align its current year general fund budget for this year's estimated payment.



Bill Alert: HB 3028

- HB 3028 will, if passed, provide an opportunity to pay our recapture payment early and earn a 4% credit back, which means *a savings of \$360,000.00 and substantially more the following year due to the exponential increase in the projected recapture payment.*

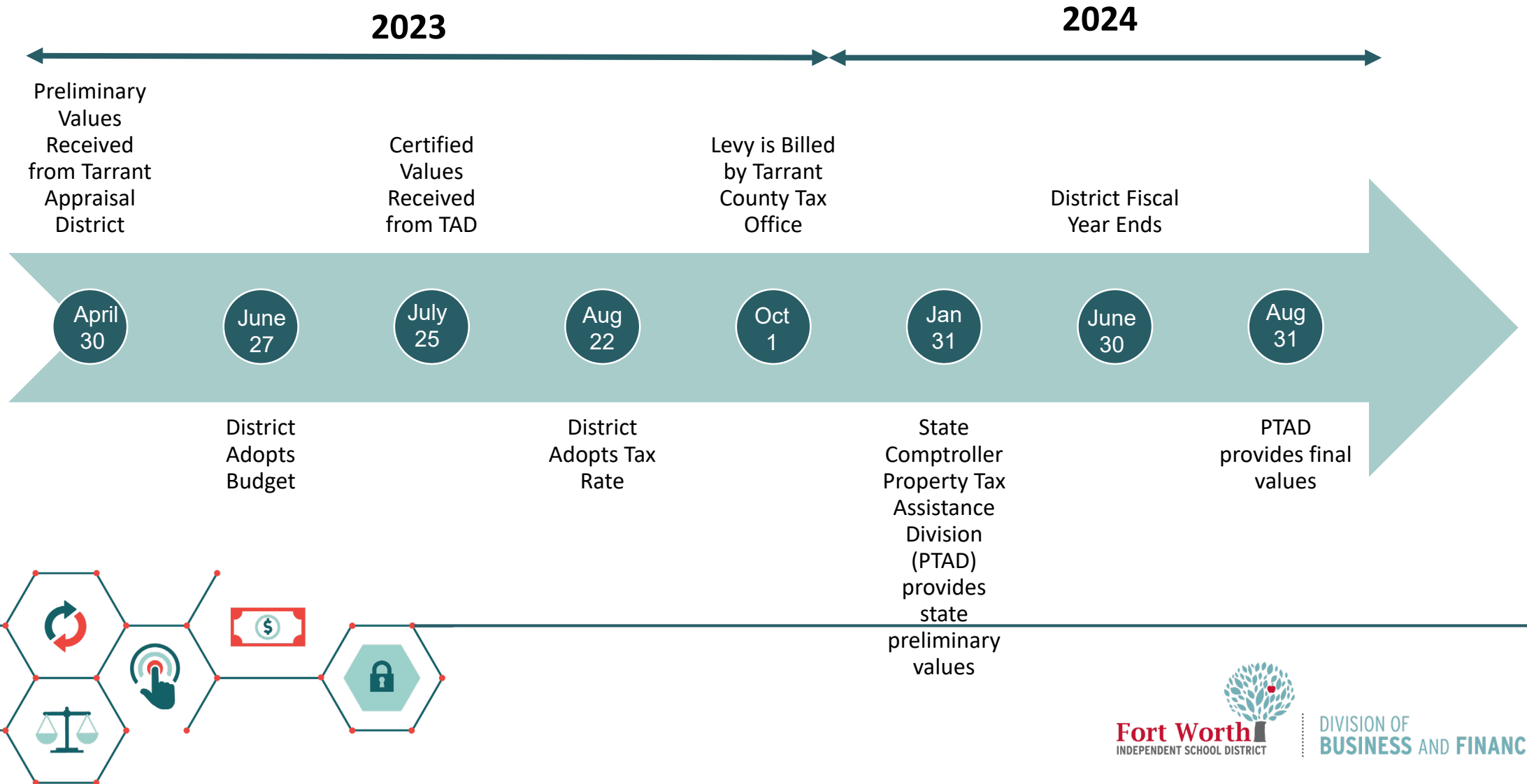


Tax Rate Adoption

- M&O Rate is determined by TEA based on property value growth, and the amount of Tier 2 pennies that have been voter approved.
- I&S Rate is determined by the District based on property value growth, and the total amount of bonded debt payments due in the following calendar year.
- The I&S tax rate adopted for 2023-2024 will make the debt payments due in February 2024 and August 2024.
- 2023 is a legislative year: Changes to State funding and to property taxes are likely to occur.
- The 2023-2024 tax rate will be adopted in August 2023.



Timeline of PV and Tax Process



Property Values Information

Source	2023 Tax Year	Use
Tarrant Appraisal District	Preliminary Values: 4/30/22 Certified Values: 7/25/23	Preliminary values are used to budget revenue, and certified values to set tax rate.
Tarrant County Tax Office	Levy billed: 10/1/23 (monthly adjustments from November through August) The June adjusted levy is used on the year end Financial Statements.	The tax office bills tax payers based on values from the appraisal district, and tax rates set by each taxing entity.
State Comptroller Property Tax	Preliminary Values: 1/31/24 Final Values: 8/31/24 Changes are made by filing property value Audits and Self reports	TEA uses the Comptroller values to adjust State Funding. The State calculates Tier 1 funding based on student data, and applies the Local Fund Assignment to reduce the State portion.



Comparison of Property Values

	April			
	2020	2021	2022	2023
PRELIMINARY: Net Taxable Value	46,214,178,519	48,438,689,026	51,767,624,340	61,037,640,809
(a) Estimated Net Taxable Value (ENTV)	46,214,178,519	48,478,334,715	51,815,576,705	61,039,678,575
Estimated minimum taxable value under protest	-	39,645,689	47,952,365	2,037,766
Change of ENTV from year to year (a)		4.90%	6.88%	17.80%
	July			
	2020	2021	2022	2023
CERTIFIED: Net Taxable Value	40,135,327,663	44,205,042,351	48,699,198,477	55,377,297,861
(b) Estimated Net Taxable Value (ENTV)	43,516,332,720	46,384,310,283	51,114,407,326	57,377,297,861 **
Estimated minimum taxable value under protest*	3,381,005,057	2,179,267,932	2,415,208,849	2,000,000,000
Difference between ENTV (a) and (b)	(0.058377)	(0.043195)	(0.0135)	(0.0600)
Change of ENTV from year to year (b)		6.591%	10.198%	12.253% **
Homestead Exemption	\$ 25,000	\$ 25,000	\$ 40,000	\$ 40,000

*Incomplete, in process, under protest properties

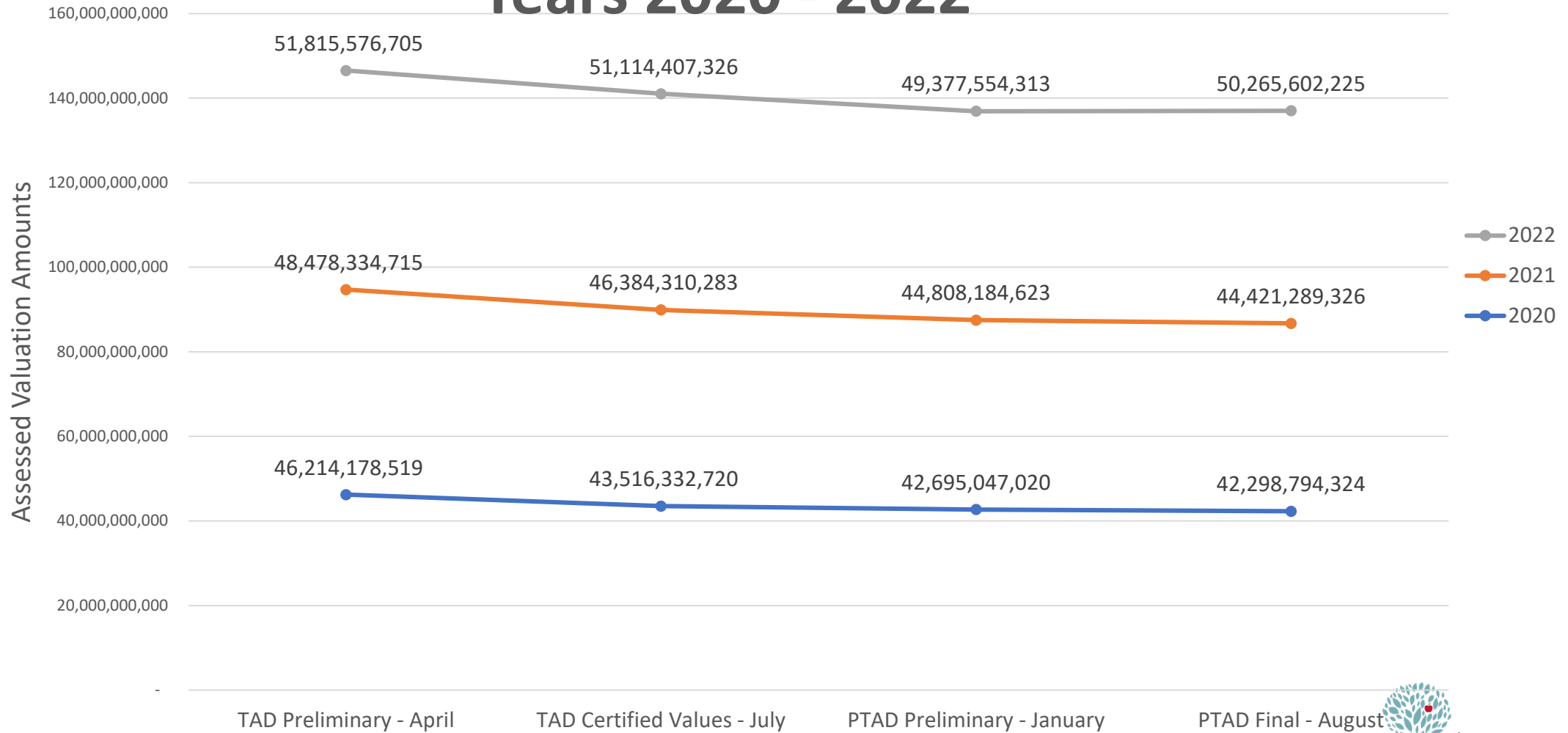
**Estimate only at 6% Reduction from 2022 ENTV

Comparison of Property Values

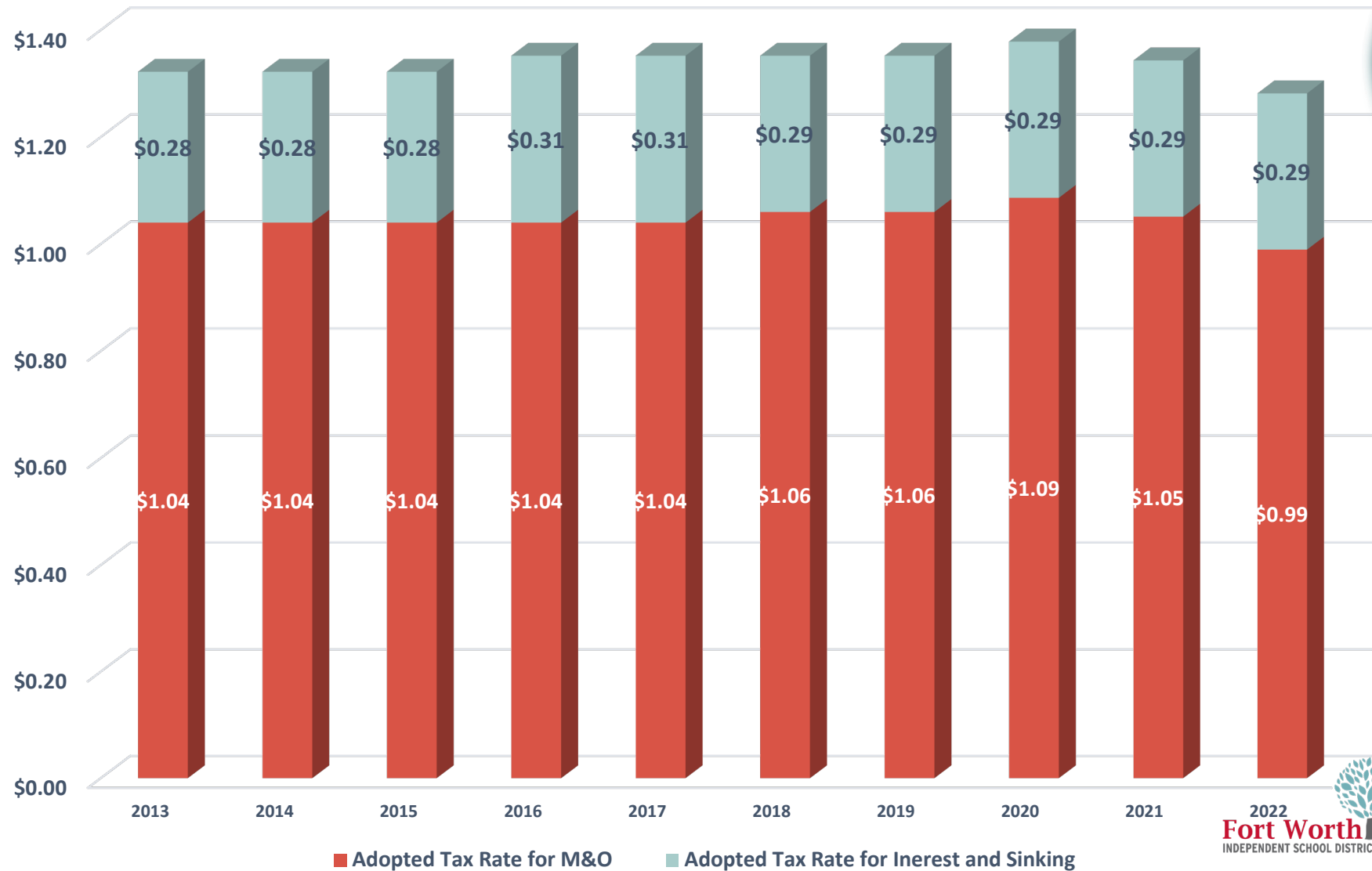
	2020	2021	2022	2023
Final Comptroller Certified School District Taxable Value for M&O Purposes (T2) (with \$25/\$40K HE)	42,298,794,324	44,421,289,326	50,265,602,225	TBD
Preliminary Comptroller Certified School District Value for M&O purposes (T2) (with \$25/\$40K HE)	42,695,047,020	44,808,184,623	49,377,554,313	TBD
Change from Preliminary to Certified	(396,252,696)	(386,895,297)	888,047,912	



Property Values from TAD and PTAD for Tax Years 2020 - 2022

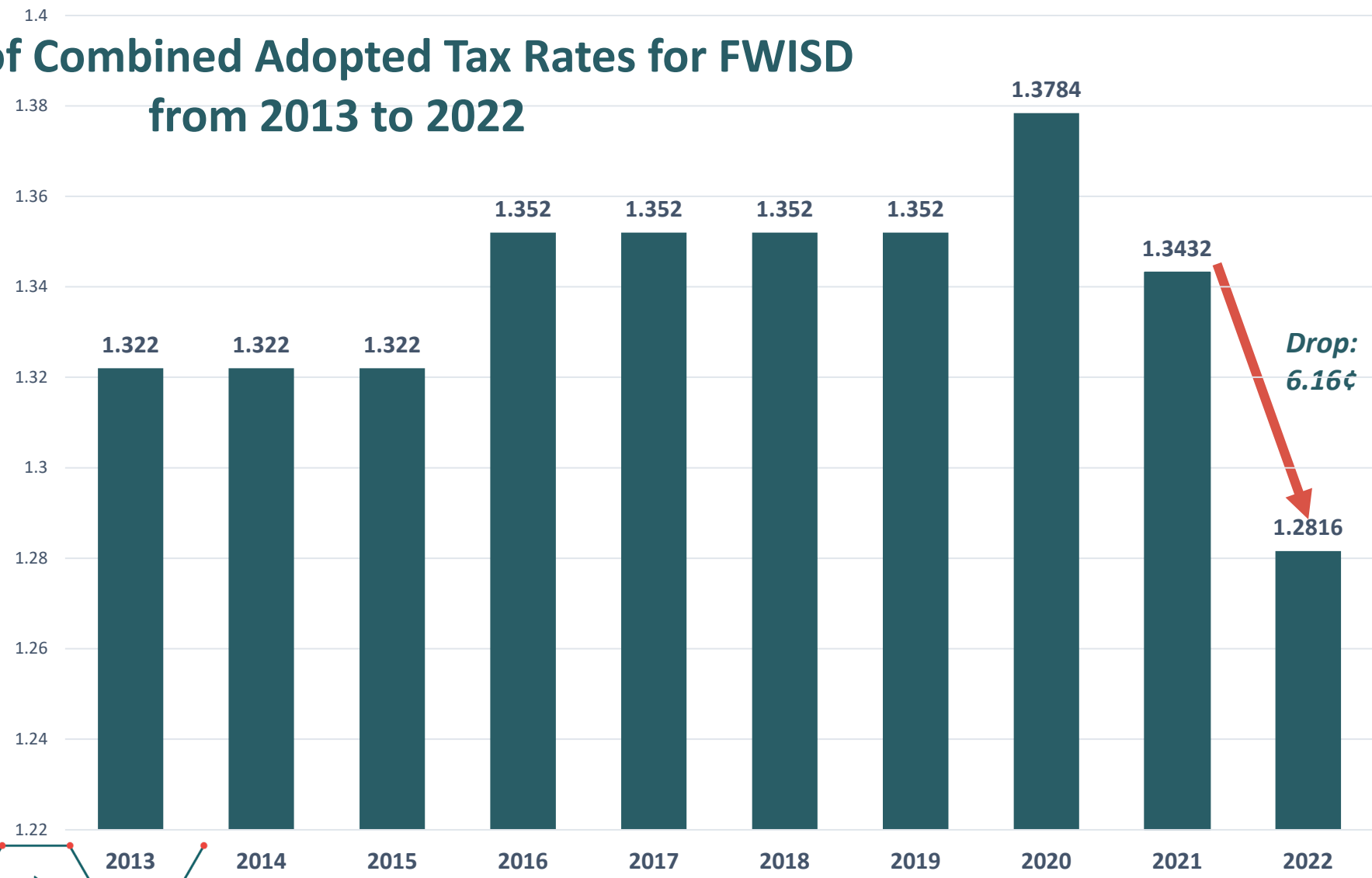


History of M&O and I&S Tax Rates for FWISD from 2013 to 2022



The District's I&S rate has stayed the same for the last five years.

History of Combined Adopted Tax Rates for FWISD from 2013 to 2022



The District's 2022 Tax Rate is the lowest it has been in 10 years.



TAX FACTS:

- THE CURRENT TAX RATE IS 10 CENTS LOWER THAN THE HIGHEST RATE FROM FY 2020.
- OVER THE PAST 10 YEARS, THE COMBINED TAX RATE HAS FLUCTUATED FROM \$1.32 (3YR. STREAK FROM 2013 -> 2015) TO \$1.35 (4YR. STREAK FROM 2016->2019) TO \$1.38 FOR JUST FY2020 (HIGHEST), IT LOWERED THE NEXT YEAR TO \$1.34 (2021) AND WAS AT IT'S LOWEST IN 2022 AT \$1.28.



**THANK
YOU!**



Fort Worth
INDEPENDENT SCHOOL DISTRICT
Division of Business and Finance



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