



Boerne Independent School District

SCHOOL FINANCE

Part 1

PART 1 - SCHOOL PROPERTY TAXES & FUNDING

This article is the first part of a three-part series explaining how Texas' K-12 public school financing system functions and its impact on Boerne ISD's taxpayers and students.

In Texas, property taxes collected from property owners are the primary vehicle for funding public schools. Each county in the state has its own appraisal district, which independently values all properties and assesses taxes for all taxing entities in the county, including cities, the county, school districts and many other entities.

Each taxing entity sets its own tax rate independent of the appraisal district and the other taxing entities. The property values set by the appraisal district are independent of and not influenced by the school district or any other taxing entity.

Simply speaking, the tax burden for each property is a product of the property value given by the appraisal district and the sum of the tax rates of the various taxing entities. As such, a school district does not influence property values within the district. It only has two mechanisms to raise money: the **M&O tax rate**, and the **I&S tax rate**. These two tax rates are separate and unrelated but are aggregated to make up the total BISD tax rate on a property owner's tax bill. BISD residents living in Bexar or Comal Counties will receive tax bills from both their county appraisal district for city or county taxes and Kendall County Appraisal for Boerne ISD.

M&O stands for **Maintenance and Operation**. **Funds from this tax rate can only be used for the ongoing operations of the district, such as paying salaries, utility bills, and supplies, etc.** For perspective, approximately 86% of BISD's M&O collections are allocated to salaries and benefits of teachers and other district employees.

The amount of M&O funds to which a school district is entitled is governed by an important mechanism termed the **Basic Allotment**. The basic allotment is the amount of money the state of Texas says a district is entitled to spend on each student annually. It is currently **\$6,160 per student per year**. For students with certain **qualifiers**, such as being classified as economically disadvantaged, Special Education, English language learners, Dyslexic, Career & Technical Education students etc., the state says a district is entitled to more money for that student's education than just the \$6,160 basic allotment. After including funds for the various qualifiers mentioned above, the average total annual amount allocated to each student's education within 12 surrounding San Antonio area school districts ranges from \$8,384/student per year to \$12,368/student per year.

Out of these 12 neighboring districts, BISD has a distinct funding disadvantage as the district with the lowest M&O funding entitlement per student, at \$8,384 per year (see graph below). Meaning BISD has up to **32% less money per student than other districts in the San Antonio area to pay salaries and other ongoing operational costs**.

While BISD spends 86% on salaries and benefits, with the vast majority going directly to the classroom, other districts average 80% and therefore have much more funding available.

SCHOOL PROPERTY TAXES & FUNDING (CONT'D)

SA AREA ISD EXPENDITURES - GENERAL FUND 2021-22		
School District	Total Operating Expenditures by Function	2021-22 M&O Tax Rate
Edgewood	\$12,368	\$0.9751
Comfort	\$11,790	\$0.9059
San Antonio	\$ 10,880	\$1.0103
Alamo Heights	\$ 10,214	\$0.9934
South San Antonio	\$ 10,183	\$0.8948
North East	\$9,671	\$0.9258
Northside	\$9,554	\$0.9258
Medina Valley	\$9,072	\$0.8720
Kerrville	\$8,893	\$0.8720
Schertz-Cibolo	\$8,794	\$0.8995
Comal	\$8,595	\$0.9420
Boerne	\$8,384	\$0.8806

Source - PEIMS Data from Texas Education Agency

Local districts have the option of asking for voter approval in a Tax Ratification Election to raise the Maintenance & Operations tax rate. Five of the twelve districts listed above have received voter approval.

If BISD generates more M&O property taxes than \$8,384/student per year that it is entitled to, it must send the excess funds to the state in the form of recapture a.k.a. Robin Hood. The BISD Board of Trustees has continually lowered its M&O tax rate in recent years to avoid sending the district's taxpayers' money to the state. Unfortunately, the state sets an equity floor on how much the M&O tax rate can be lowered to ensure that property wealthy districts, such as BISD, do not have tax rates far lower than property poor districts. For 2022-23, the BISD Board will adopt the lowest M&O tax rate allowed by law.

The second school funding mechanism is the I&S tax rate which stands for "Interest and Sinking". This money can only be used to make debt payments for bonds issued to finance the construction of new schools and facilities and improvements to existing schools and facilities. Unlike the M&O funds, I&S funds cannot be used for ongoing operational expenses. To simplify, I&S pays for capital expenditures, M&O pays for operational expenditures.

Completely different from the M&O tax rate, which we have shown to be heavily influenced by the school financing formula of the state, the I&S tax rate is set at the sole discretion of the BISD Board.

SCHOOL PROPERTY TAXES & FUNDING (CONT'D)

Funds raised through the I&S tax rate are not subject to recapture. Therefore, a district can set the I&S tax rate without fear of sending these funds back to the state. When school district voters approve a bond package, the school district determines the I&S tax rate as needed to pay the debt service associated with these bonds. Fast population growth districts such as BISD generally have a higher need for capital improvements as they continually need to build schools and expand existing facilities to accommodate growth.

Out of the 17 school districts in the San Antonio and Austin area classified as fast-growth school districts, BISD has a fiscally conservative lowest I&S tax rate at \$0.324 per \$100 of taxable property value. This lower tax rate is achieved through careful debt management and prioritizing capital expenditure needs rather than wants.

I&S Tax Rates for Fast Growth Districts - San Antonio & Austin		
	School District	2021-22 Rate
1	LIBERTY HILL ISD	0.5000
2	HAYS CISD	0.4880
3	MEDINA VALLEY ISD	0.4729
4	SCHERTZ-CIBOLO-UC ISD	0.4700
5	LEANDER ISD	0.4650
6	HUTTO ISD	0.4600
7	PFLUGERVILLE ISD	0.4600
8	SOUTHWEST ISD	0.4380
9	BASTROP ISD	0.4010
10	SEGUIN ISD	0.3850
11	DRIPPING SPRINGS ISD	0.3500
12	COMAL ISD	0.3500
13	NORTHSIDE ISD	0.3355
14	GEORGETOWN	0.3290
15	LAKE TRAVIS ISD	0.3275
16	NEW BRAUNFELS ISD	0.3258
17	BOERNE ISD	0.3240

Source - Texas Education Agency Summary of Finance Reports

Even though BISD is at a competitive disadvantage in terms of operational funding, students of BISD consistently achieve significantly higher test scores than state and local averages. A true testament to the exceptional work of BISD teachers and administrative staff who work tirelessly to ensure BISD students receive a world-class education and the strong support of the Boerne community and families.

Next week we will discuss the challenges of school financing, rising property appraisals, and the history of school property tax reform.



Boerne Independent School District

SCHOOL FINANCE

Part 2

PART 2 – THE CHALLENGES OF PROPERTY TAXES & SCHOOL FINANCE

Part 1 included the definition of various tax rates and Texas school finance basics. Part 2 will focus on the challenges faced by both taxpayers and school districts.

Significant appraisal increases have frustrated property owners across Texas, causing many to wonder if they will be able to remain in their homes or businesses. Your Boerne ISD Board of Trustees supports appraisal reform and property tax relief.

Recently, voters approved Texas Constitution amendments providing some tax relief. The Homestead Exemption for school taxes was raised from 25k to 40k, saving homeowners about \$180/year. Also approved by the voters was a reduction in school taxes for those homeowners over 65 or disabled; as tax rates decline, their school taxes will also decrease. This is welcome news to the estimated 31% of BISD homeowners with frozen taxable values.

Annual property tax increases for those with homestead exemptions are limited to 10%. However, following the increase in the homestead exemption and BISD's 2022 tax rate reduction, this will be reduced to approximately 4.4% for those homes not frozen in taxable value. But the concern of homeowners is that if their appraised value skyrocketed this year, they would experience significant annual property tax increases for the next several years, a tremendous financial burden to homeowners whose taxable property values are not frozen.

Unfortunately, neither the annual increase cap of 10% nor the homestead exemption applies to commercial property owners or those with residential rental properties. This group of taxpayers also needs relief, as some have seen appraisal increases as high as 80%.

Property Tax Reform - School taxes represent a large share of a property owner's total tax bill. Over the years, the Texas Legislature has attempted to reduce school tax rates. The first major effort occurred in 2006 when the legislature dedicated more money to K-12 public education and required the reduction of tax rates. BISD's Maintenance & Operations (M&O) rate decreased from \$1.46 to \$1.04 per \$100 of taxable appraised property value.

Boerne ISD M&O Tax Rate 2006-2022	
Year	Tax Rate
2006	\$ 1.46
2007	\$ 1.04
2008	\$ 1.04
2009	\$ 1.04
2010	\$ 1.04
2011	\$ 1.04
2012	\$ 1.04
2013	\$ 1.04
2014	\$ 1.04
2015	\$ 1.04
2016	\$ 1.04
2017	\$ 1.04
2018	\$ 1.04
2019	\$ 0.97
2020	\$ 0.938
2021	\$ 0.881
2022	\$ 0.854

Over time, property appraisal increases offset this tax rate reduction. Calls for tax relief resulted in the passage of House Bill 3 (HB3) in 2019, which dedicated \$5 billion to property tax relief and additional school funding. HB 3 also included a cap on the amount of additional revenue school districts can generate from increased property taxes to 2.5% annually. Any revenue on top of that cap was required to reduce tax rates. This change allowed BISD to reduce its M&O tax rate for the fourth year in a row from \$1.04 in 2019 to \$0.854 for 2022, or close to a 20% decrease.

However, HB 3 also included an equity floor, which limits how low a tax rate may be reduced relative to the highest rate of other districts. Putting districts like BISD with high property value growth in the position of this growth outpacing tax rate reduction, meaning taxpayers are paying more. Still, their local districts do not receive any additional dollars. **BISD's compressed tax rate for 2022 will be the lowest allowed by law as we have reached the equity floor.**

Due to relatively high property values, BISD is considered a property-wealthy district, resulting in Robin Hood recapture. Since 2005 BISD has paid a total of \$115 million in Robin Hood. In the 2018-19 school year, BISD paid \$10.7 million in Robin Hood (\$530 that year for the average BISD homeowner). **After factoring in Robin Hood, BISD's general fund spending per student decreased from \$7,560 in 2006-07 to \$7,268 in 2018-19 even though total inflation during that time period was 24.6%. This limited BISD's ability to offer additional programs such as Career and Technical Education, or adequately pay its employees during that time.**

Due to this history, BISD had an aggressive legislative advocacy agenda and presence in Austin during the 2019 legislative session, calling for a reduction in Robin Hood and property tax rates, while also promoting an increase in the Basic Allotment which is funding guaranteed on a per student basis.

The Texas legislature raised the Basic Allotment in 2019 for the first time in many years. The amount to which school districts are entitled is determined by finance formulas in state law. The **Basic Allotment equals \$6,160/year/student in attendance**, with extra funding for certain qualifiers, such as poverty rates, Special Education enrollment, Gifted/Talented and Career and Technical Education programs, students with limited English proficiency, and whether a district is considered fast growth.

This adjustment to the Basic Allotment increased BISD's revenue per student by approximately \$1,000, allowing the district to reduce some class sizes, fund desired programs as well as grant the largest salary and benefits increase in the San Antonio area to its teachers in 2019-20.

Initially, the property tax compression required by HB3 helped to limit the growth of recapture by reducing the amount of taxes collected by school districts while increasing the state's share of K-12 funding. BISD's \$10.7 million in Robin Hood for 2018-19 declined to zero by 2021-22. **Unfortunately, large appraisal increases this year will result in BISD once again paying an estimated \$7.5 million in Robin Hood in 2022-23.**

On a happier note, a significant benefit to local property owners is that BISD is one of only approximately 30 districts out of 1,025 in Texas that offers a discount for early payment of taxes. An overwhelming percentage of BISD taxpayers take advantage of this 3% discount for a savings of \$2.5 million this year.

Next week we will discuss the effects of Robin Hood in more detail and the priorities the BISD Board of Trustees has adopted for the 2023 legislative session.



Boerne Independent School District SCHOOL FINANCE Part 3

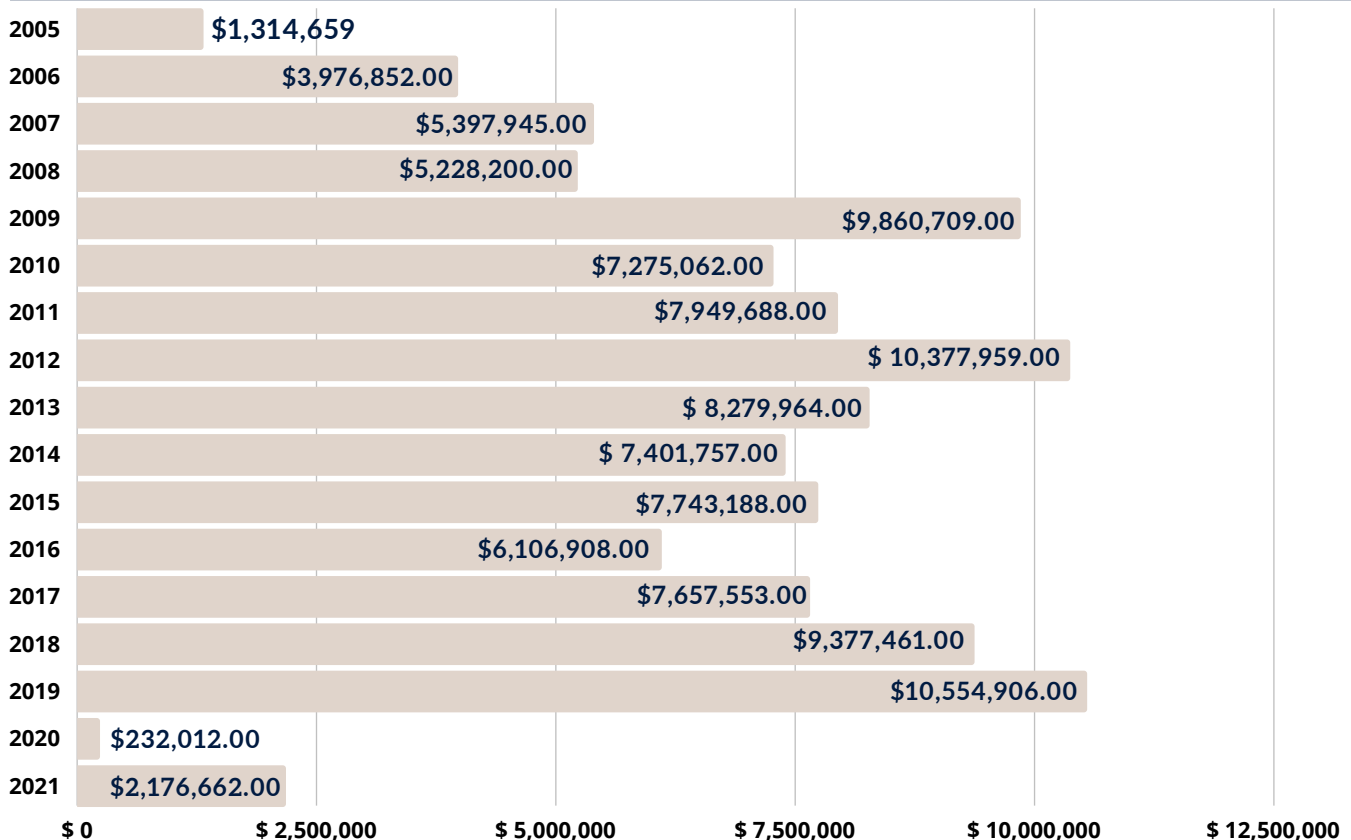
PART 3 - RECAPTURE, STATE FUNDING, & LEGISLATIVE PRIORITIES FOR 2023

Last week's column covered the history of the property tax rate in Boerne ISD, which since 2006 has seen a decline in the Maintenance & Operations (M&O) tax rate from \$1.46 to \$0.854, as well as the impact of property appraisal increases which have offset the decreases in the tax rate.

This week we will cover the impact of Robin Hood on our schools as well as the legislative priorities the Boerne ISD Board of Trustees has approved for the 88th session of the Texas Legislature in 2023.

Recapture occurs when local property tax revenues exceed the funding entitlement based on school finance formulas. Since 2005, BISD has paid the state \$115 million in Robin Hood. This money goes into the state's general fund, and the state spends it as it sees fit

BOERNE ISD ROBIN HOOD PAYMENTS 2005-2022



House Bill 3 (HB 3), passed in 2019, was an effort to offer property tax relief and increase school funding. Before HB3, Texas increasingly relied on Robin Hood from property-wealthy communities (such as Boerne) to pay for school funding. We felt this was unfair to our students and onerous to our taxpayers. **Thankfully, our 2019 legislative agenda that called for tax relief, a reduction in Robin Hood, and an increase in the Basic Allotment, received significant support from our local state legislators.** As a result, the reforms in HB 3 eliminated BISD's Robin Hood payment for the 2021-22 year.

However, due to significant property appraisal growth, BISD forecasts it will pay \$7.5 million during the 2022-23 fiscal year. Unfortunately, this means **that most of the increased school property taxes generated for the 2022-23 year will not go to BISD but to the Texas General Fund. And this is especially troubling as BISD's net General Fund spending per student is \$2,130 less than the state average of \$10,500.**

The \$7.5 million back to a "Robin Hood" tax equals more than \$400 for the average homeowner in BISD that the state will siphon off. Concurrently, the state forecasts a massive surplus of \$27 billion for its 2022-23 biennial budget. The BISD Board of Trustees believes it is time, once again, for the state to compress school district tax rates to offer much needed relief to property owners.

Reducing M&O tax rates would not negatively affect BISD as state funding formulas determine its revenue. A district's funding "entitlement" is based on a weighted average daily attendance that factors in the guaranteed Basic Allotment of \$6160 per student supplemented by various other qualifiers, including economically disadvantaged students, Special Education, Dyslexia, Career & Technical Education, and more. This brings BISD's average operational revenue per student to \$8350. If the M&O tax revenue is insufficient to reach the \$8350, the difference will come from state aid.

ADVOCATING FOR REFORM AND RELIEF

Necessary relief for local property owners comes from reduced school M&O tax rates. Therefore, **the BISD Board strongly encourages the state legislature to use its large surplus to pass significant, sustainable M&O property tax compression.** This would offset much, if not all, of the significant appraisal increases local property owners are experiencing.

It would also reduce or hopefully eliminate BISD's Robin Hood recapture, thus keeping our local property taxes right here in BISD where they belong! With Robin Hood, as property appraisals rise, homeowners pay more in school taxes and blame the local school district for this increase while the state siphons off much of the money into its general fund.

Additionally, **inflation has taken its toll over the past year. Since 2019 cumulative inflation has exceeded 12%, yet school finance formulas have remained stagnant; there are no automatic adjustments or increases tied to inflation or property values.** As BISD grows, the opportunity exists for greater efficiencies, such as the energy audits that have reduced BISD's utility bills by over 200k per year. Every dollar saved on overhead is money that can go directly to classroom instruction.

The BISD Board also calls for an increase in the Basic Allotment. This will allow BISD to honor the wishes expressed by both Governor Abbott, Lt. Governor Patrick and many other state leaders on both sides of the aisle **to increase pay to our teachers.** Teaching is an honorable occupation that should be rewarded accordingly. In our current environment, it's also essential to adequately pay the support staff such as food service workers, custodians, bus drivers, and maintenance workers to attract and retain good employees.

LEADERSHIP IS ESSENTIAL

Texas school funding formulas are rather complex. But complexity should not deter our state and local leaders from advocating for common-sense reforms to help local taxpayers and students. The state will likely be financially able to enact such necessary reforms and tax relief in the 88th legislative session in 2023. The BISD Board of Trustees will strive to achieve this by working with state legislators. Now is the time for our state's leaders to act!



Boerne Independent School District

LEGISLATIVE PRIORITIES

for 88th Texas Legislative Session

The passage of House Bill 3 in 2019 included a major modernization of Texas' public school funding, increased the Basic Allotment to more adequately fund our schools, and began an ongoing property tax rate reduction process to bring necessary relief to the state's taxpayers.

However, rapid appraisal growth threatens to offset the property tax rate reductions seen since 2019. Additionally, compounded inflation of 12% since 2019, with no corresponding increases to the funding formulas, limits the ability of school districts to manage rising costs, recruit and retain high-quality teachers, and prepare students to meet our state's future workforce needs.

The COVID pandemic created a learning loss at the end of the 2019-20 school year and continued to impact learning during the 2020-21 year. Federal ESSER funds were used by many districts to implement plans required by House Bill 4545 passed during the 2021 session. However, once this money is spent, the requirements of HB 4545 will become an unfunded mandate. Yet, as it should, the need for accountability and high expectations will remain.

While Texas public schools have seen a sharp reduction in enrollment growth over the past several years, those districts considered fast growth still account for approximately 80% of all statewide enrollment growth. Fast growth districts experience initial start-up costs for new facilities.

BASED ON THE REALITIES MENTIONED ABOVE, THE BOERNE ISD BOARD OF TRUSTEES HAS ADOPTED PRIORITIES FOR THE 2023 SESSION OF THE TEXAS LEGISLATURE.

1.

We advocate the use of a significant portion of the state's expected surplus to **buy down the Maintenance and Operations tax rate. Any M&O reduction should be sustainable.** In addition to offsetting the significant property appraisal increases, property tax compression will help reduce recapture, which now exceeds \$3 billion/year. Recapture amounts to a significant "Robin Hood" tax with no benefit to the local school district.

2.

We encourage the legislature to **increase the Basic Allotment** to assist in the recruitment and retention of high-quality educators, as well as help districts deal with rising costs due to inflation.

3.

We urge the legislature to **fully fund the New Facilities Instruction Allotment**, which was designed to fund \$1000/student at any newly opened campus.

4.

We strongly **support accountability and the high expectations** needed to prepare our students to be productive citizens and help maintain the attractiveness and growth of our state. Whether it be a component of the increase in the Basic Allotment or a specific formula allocation, we encourage the state to fund the mandates listed in HB 4545.

5.

We urge the legislature to support a **cost-of-living adjustment (COLA) for TRS retirees.** The last COLA was passed in 2013; since then compounded inflation has totaled 27%. This COLA will help both current and future retirees and help retain quality educators.

TEXAS LEGISLATURE CONTACT INFORMATION ON PAGE 2

TEXAS LEGISLATURE CONTACTS

GOVERNOR GREG ABBOTT

Office of the Governor, P.O. Box 12428, Austin, Texas 78711-2428

Phone: 512-463-2000 | Online: gov.texas.gov/contact/

LT. GOVERNOR DAN PATRICK

P.O. Box 12068, Austin, Texas 78711-2068

Phone: 512-463-0001 | Online: ltgov.state.tx.us/contact

REP DADE PHELAN - SPEAKER OF THE HOUSE

P.O. Box 2910, Austin, TX 78768

Phone: 512-463-1000 | Online: house.texas.gov/members/speaker/

SEN. DONNA CAMPBELL - DISTRICT 25

P.O. Box 12068, Austin, Texas 78711

Phone: 512-463-0125 | Email: Donna.Campbell@Senate.Texas.gov

REP. KYLE BIEDERMANN - DISTRICT 73

Capitol Address: P.O. Box 2910, Austin, TX 78768

District Address: 616 W Main St., Ste 101, Fredericksburg, TX 78624

Phone: 512-463-0325 | Email: Kyle.Biedermann@House.Texas.gov

REP. LYLE LARSON - DISTRICT 122

P.O. Box 2910, Austin, TX 78768

Phone: 512-463-0646 | Email: Lyle.Larson@House.Texas.gov

STATE BOARD OF EDUCATION MEMBER, TOM MAYNARD - DISTRICT 10

P.O. Box 625, Florence, TX 76527

Phone: 512-5632801 | Email: Tom@MaynardForTexas.com

REP. GREG BONNEN - CHAIR, HOUSE APPROPRIATIONS COMMITTEE

P.O. Box 2910 Austin, TX 78768

Phone: 512-463-0729 | Email: Greg.Bonnen@House.Texas.Gov

REP. HAROLD DUTTON JR.- CHAIR, HOUSE PUBLIC EDUCATION COMMITTEE

P.O. Box 2910 Austin, TX 78768

Phone: 512-463-0510 | Email: Harold.Dutton@House.Texas.gov

SEN. JOAN HUFFMAN- CHAIR, SENATE COMMITTEE ON FINANCE

P.O. Box 12068 Austin, TX 78711

Phone: 512-463-0117 | Email: Joan.Huffman@Senate.Texas.gov

SEN. BRANDON CREIGHTON- CHAIR, SENATE COMMITTEE ON EDUCATION

P.O. Box 12068 Austin, TX 78711

Phone: 512-463-0104 | Email: Brandon.Creighton@Senate.Texas.gov