# HUFFMAN FOR THE FUTURE!

HUFFMAN
INDEPENDENT SCHOOL DISTRICT

# VATRE

## Voter Approval- Tax Rate Election 2026

**DRAFT**

# WHAT IS A VATRE?

2026-2027

# WHAT IS A VATRE?

A Voter-Approval Tax Rate Election:

- is required when a district adopts an M&O tax rate above the voter-approval threshold,
- allows access to additional Tier 2 enrichment funding,
- must be held during the November uniform election date.

# WHY IS ADMINISTRATION CONSIDERING A VATRE?

- Due to low fund balance, the district has relied on Tax Anticipation Notes to meet cash flow needs.
- Board policy require a fund balance equal to approximately 90 days of operating expenditures.
- TEA requires a minimum of 60 days in fund balance. *
- Revenue is projected to decline year after year.
- The district is projecting funding gaps.
- Additional funding is required for salary increases and increased costs of operations due to high inflation rates (CPI).

**Takeaway: Without additional revenue, the district will need to consider ongoing expense reductions or other short-term cash flow measures.**

* Taxes are collected approx. 120 days after the beginning of the fiscal year.

# TERMINOLOGY?

- **MCR – Maximum Compressed Tax Rate**
  - Set annually by TEA based on property value growth
  - Establishes the compressed tax rate used in Tier 1 funding
- **Tier 1**
  - Basic education funding tied to the MCR
- **Tier 2**
  - Enrichment funding generated by pennies above the MCR, up to 17 cents.
- **Maintenance and Operation Tax Rate (M&O)**= Tier 1 ( MCR) Plus Tier 2 ( Enrichment pennies)
- **Debt Service Rate (I&S)** = Interest and Sinking Fund tax to pay for principal and interest payments
- **Total Tax Rate** = M&O + I&S
- **VATRE**
  - Voter-Approval Tax Rate Election
- Golden Pennies - A "golden penny" is one of the first pennies of a school district's Tier II M&O tax effort above the district's compressed tax rate (CTR) that receives the higher guaranteed yield and is not subject to recapture.
- Cooper Pennies – Copper pennies are the additional M&O pennies a district can access after the golden pennies, but they generate less revenue per penny and trigger recapture.






# HOW DOES IT IMPACT THE DISTRICT?

- ✓ Over the last biennium,  combination of flat enrollment, increase to the basic allotment for teacher salaries only, and a rising inflation rate of over 18% since 2020 have shifted the use of the enrichment dollars to sustain basic education services
- ✓ The Texas Association of School Business Officials (TASBO) reports that a**Basic Allotment** increase of **$1,200 per student** is required for school districts to maintain education and organizational requirements.  The state has no plans to make this adjustment, yet unfunded mandates, aging infrastructure, and increases to teacher and staff compensation in order to remain competitive, continue to strain our limited resources. In 2025, the basic allotment increased by $55.
- ✓ The district is growing in property values with over $98 million in new improvements, however, this increase in local values is offset by a decrease in state aid. For FY 2027, it is projected that a GAP of $2.9 Million will be needed in order to balance the budget.
- ✓ Passage of the VATRE would bridge the budgeted deficit, reduce the funding gap in comparison to other school districts, and fund current and new curriculum and safety standards, in addition to unfunded mandates


Competitive Salaries


Student Devices


Class Sizes


Safety & Security


Facility Repairs & Maintenance


Funding Mandates

# HOW DOES IT IMPACT THE DISTRICT?

| | 2025-2026 | | | 2026-2027 | |
|---|---|---|---|---|---|
| | Original Budget | Revised Budget | Estimated Actual | Preliminary * | Change from 25-26 |
| Total Revenue | 42,198,003 | 42,843,314 | 43,696,960 | 41,922,318 | (1,774,642) |
| Total Expenditures | 46,799,092 | 46,469,796 | 46,469,796 | 44,877,376 | (1,592,420) |
| | | | | | |
| Net Revenue/(Deficit) | (4,601,089) | (3,626,482) | (2,772,836) | (2,955,058) | (182,222) |
| | | | | | |
| Other Fin. Sources/Uses | 2,049,000 | 3,049,000 | 3,049,000 | - | (3,049,000) |
| Net Change in Fund Balance | (2,552,089) | (577,482) | 276,164 | (2,955,058) | (3,231,222) |
| | | | | | |
| Beginning Fund Balance | 5,311,493 | 7,250,477 | 7,250,477 | 7,526,641 | |
| Ending Fund Balance | 2,759,404 | 6,672,995 | 7,526,641 | 4,571,583 | |
| | | | | | |
| *Days Fund Balance* | *21.52* | *52.41* | *59.12* | *37.18* | |
| | | | | | |
| Ending Fund Balance | | | 7,526,641 | 4,571,583 | |
| Other Fin. Sources/Uses | | | (3,049,000) | - | |
| Fund Balance w/out Note | | | 4,477,641 | 4,571,583 | |
| | | | | | |
| *Days Fund Balance* | | | *35.17* | *37.18* | |

* Does not include Tax Note

# MCR, M&O AND DEBT SERVICE RATES

2026-2027

# SCHOOL FINANCE – TAX RATES







**DAILY DISTRICT OPERATIONS**

Compensation, Student Supplies, Utilities, Maintenance, Custodial






$0.6466



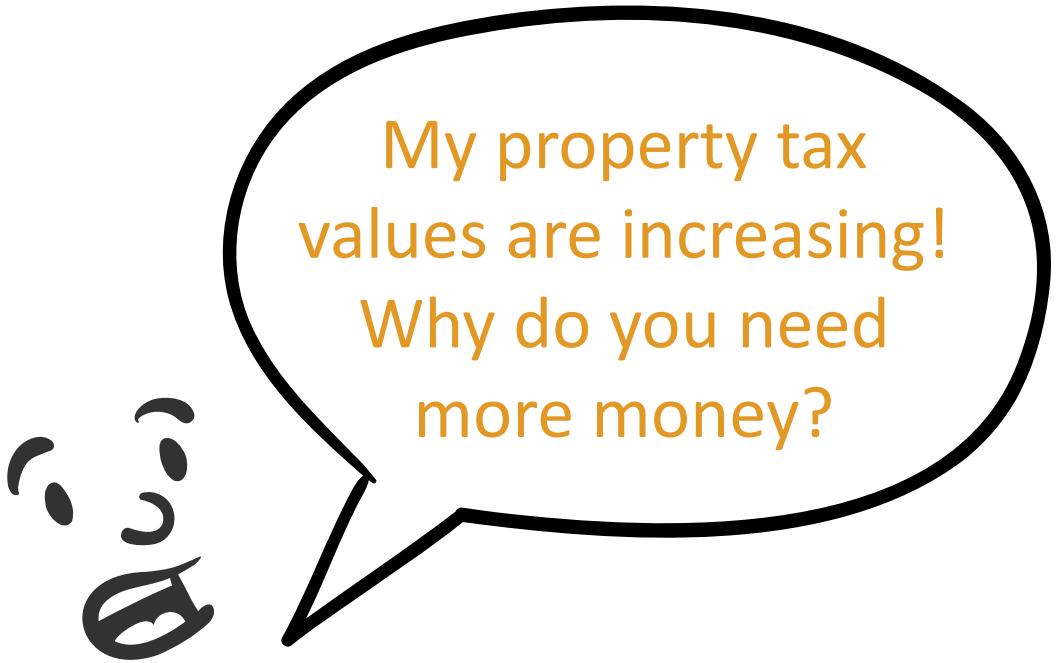



$0.3871

**BOND PROJECTS DEBT**



Facilities Construction & Renovation, Equipment




- ✓ Schools are funded at a set amount per student called the Basic Allotment
- ✓ Rising property values do not equate to more money for schools
- ✓ Local contributions increase when property values increase, but the state of Texas reduces its share of funding by that amount
- ✓ The amount of funding Huffman ISD receives stays the same.

As more property values go up, local revenues go up, but state revenue is offset downward.

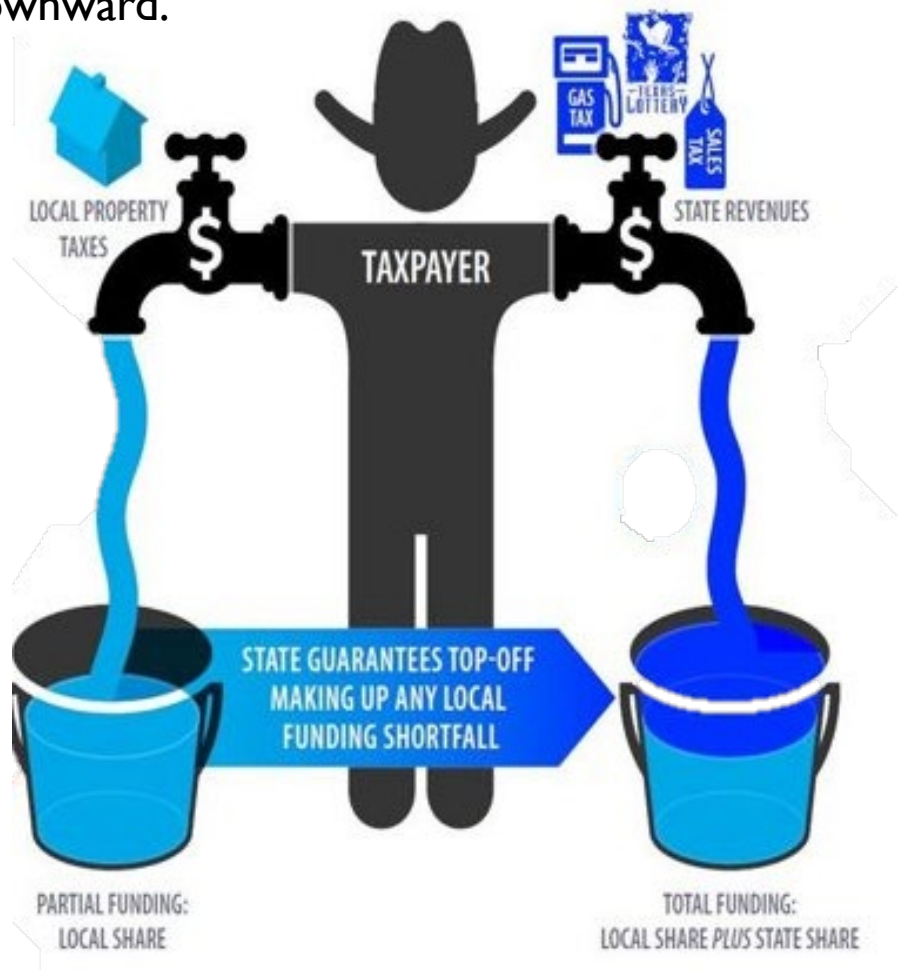
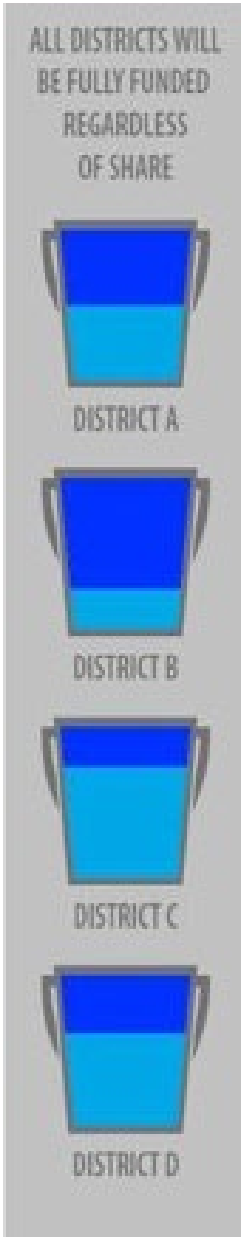



*Image Source:Vance Ginn Economic Consulting*



# M&O TAX RATE BREAKDOWN - $0.6466

Tier One = Two Parts
MCR Plus Enrichment Pennies
.5966 +.05 = .6466 +__ VATRE = .6466

Tier Two: $0.17





Level One: $0.08

Level Two: $0.09

- Used to fund basic education – $6.215/student (adjusted for student category weights)
- Determined by the State
- Subject to Ongoing Compression, which results in future tax rate decrease

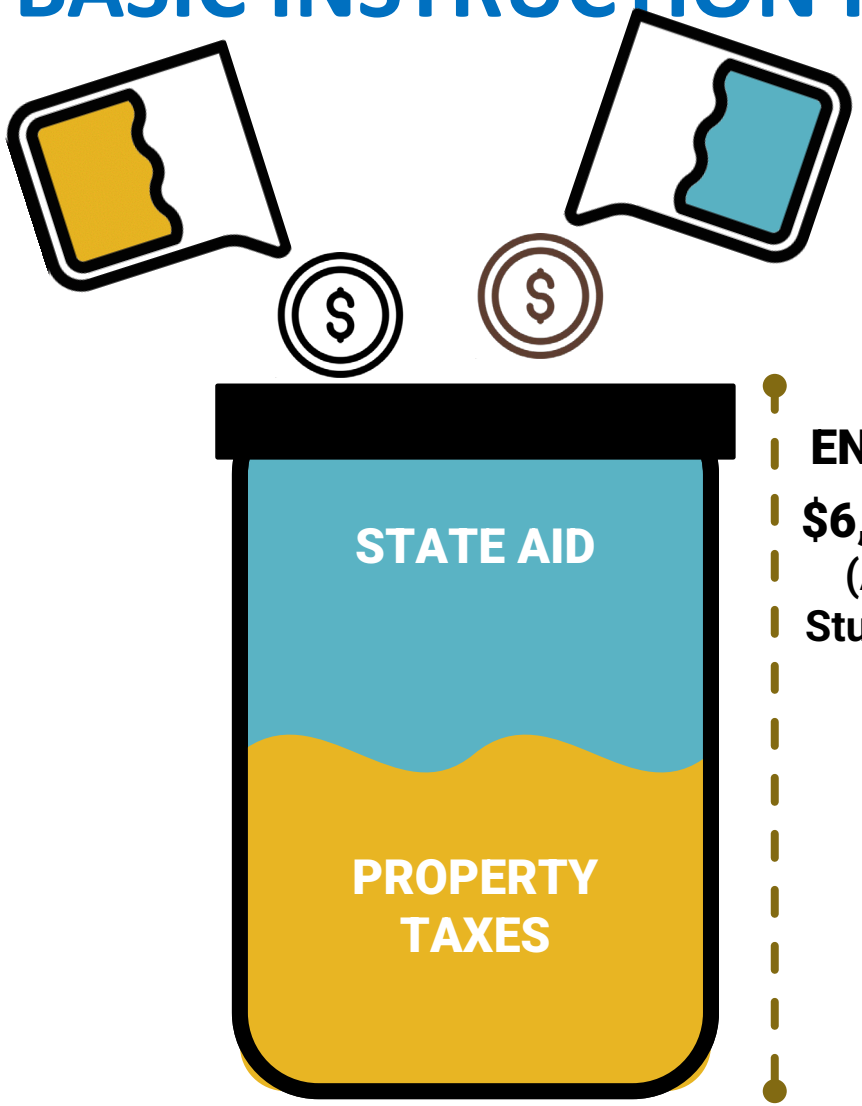
- Used to fund enrichment programs
- First six cents require board approval, remaining cents require voter approval
- Level One are not subject to ongoing compression; Level Two are subject to compression when the legislature increases the basic allotment

# STATE FUNDING FORMULA

2026-2027

# HOW M&O FUNDING WORKS TIER 1

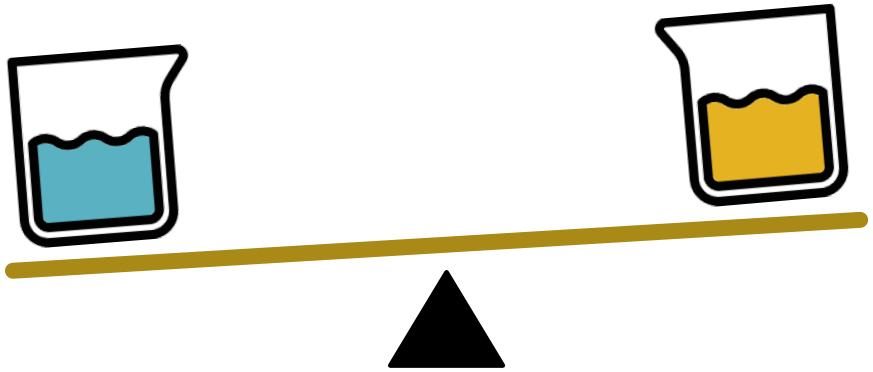
## BASIC INSTRUCTION FUNDING (TIER ONE - $0.6466)




**ENTITLEMENT**

**$6,215/Student**
**(Adjusted for Student Weights)**

The basic allotment has not increased since 2019; meanwhile inflation has risen by over 18% in that same period. This means that current enrichment dollars are being used to cover rising costs of operations. In 2024, the legislature increased the basic allotment by only $55 per student



**Increase in Taxable Values** = ↑ **Increase in Local Funds** ↓ **Decrease in State Funds** = **SAME ENTITLEMENT $6,215/Student**

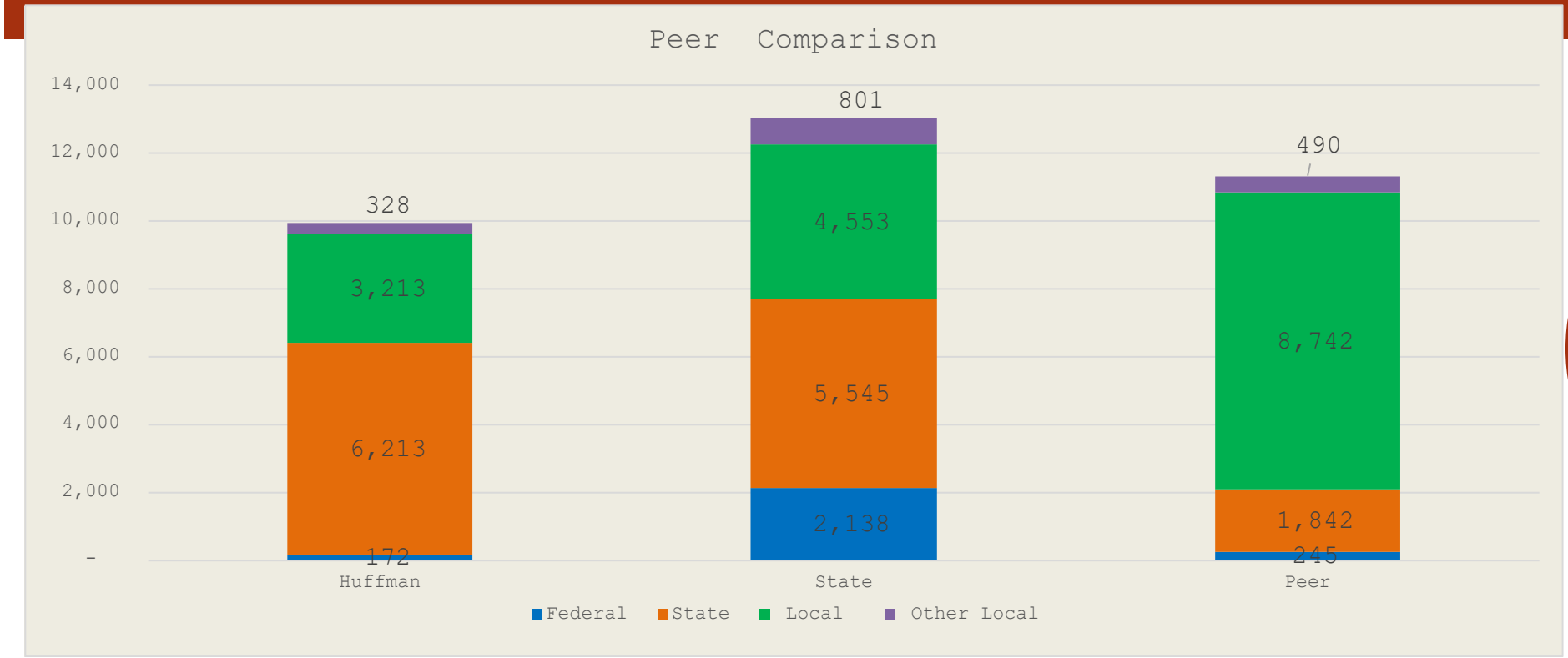
# How M&O Funding works Tier 2

- Tier 2 allows school districts to generate enrichment funding by taxing up to **17** cents above the MCR.
- The first five cents may be adopted by board action.
- Additional cents require voter approval through a VATRE.
- Golden pennies generate the highest level of state equalized funding.
- Copper pennies generate additional funding but are subject to tax compression.



# PER-STUDENT REVENUE COMPARISON TO PEERS AND THE STATE

**HUFFMAN ISD GENERATES LESS PER-STUDENT REVENUE THAN PEER DISTRICTS AND THE STATE AVERAGE.**




**A successful VATRE would increase per-student funding by $726 per ADA**

**$1,393**

**$4.7M Less Funding**

**$3,111**

**$10.6M Less Funding**

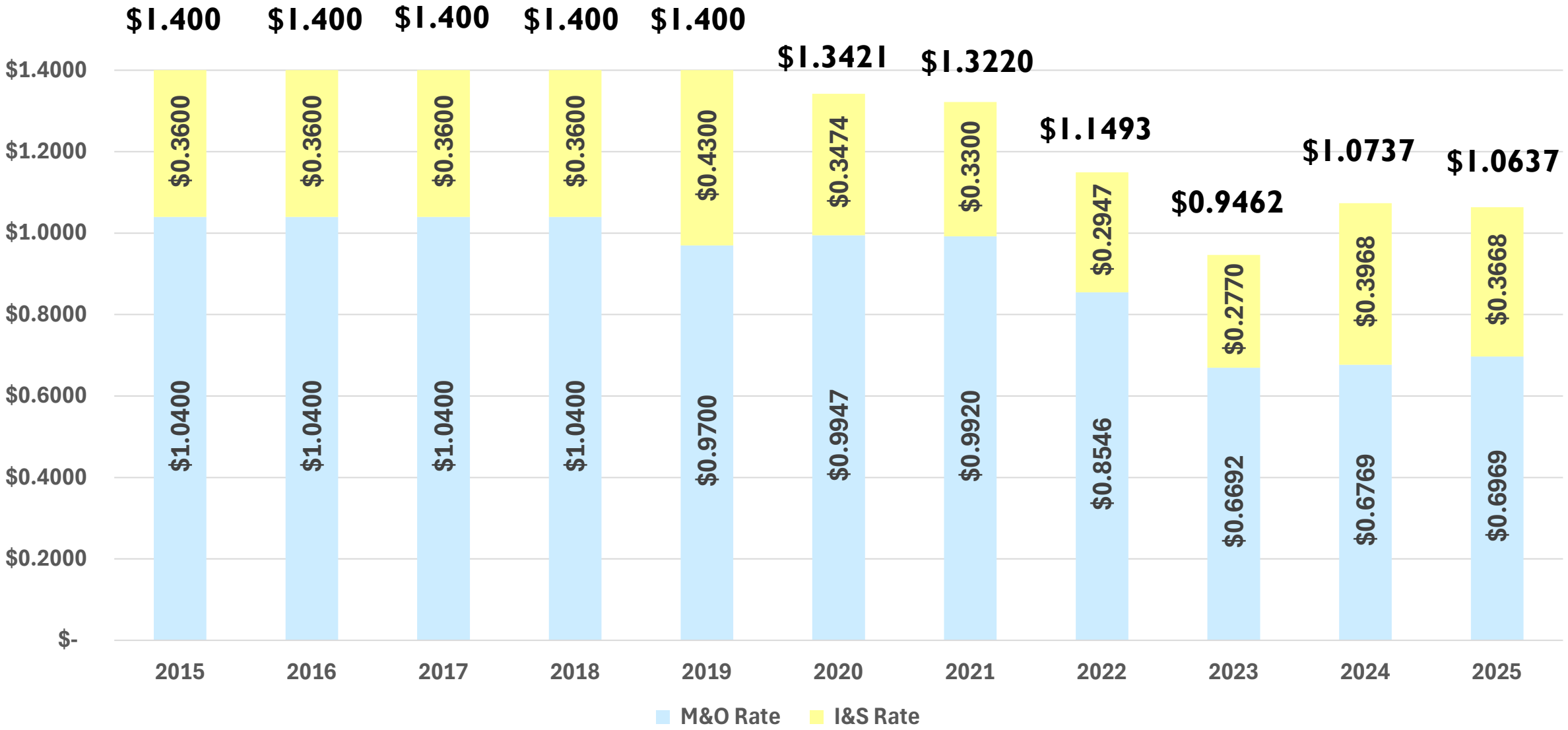
# DISTRICT FINANCIAL SNAPSHOT

- Enrollment – 3,708  Refined ADA – 3,418
- Attendance – 92.7%
- Collection Rate projected  100% assumed for TNT Forms
- Taxable Property Values – $1.8 Billion
- 2025 Current M&O Rate - $0.6969 for Maintenance & Operations
- 2025 Current I&S Rate - $0.3668  for Debt Service
- 2025 TOTAL Tax Rate -  $1.0637  per $100

# HISTORY OF TAX RATES

2026-2027

# Huffman ISD Tax Rate History



# ANNUAL COMMUNITY TAX IMPACT

| | | MCR Rate Rate | Plus 5 Pennies | VATRE Pennies | Disaster + 3 Pennies | M&O Rate | Debt Service Rate | Total Tax Rate | $ 202,592 Avg Home Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY 25 26 Adopted | 0.6169 | 0.05 | - | 0.03 | 0.6969 | 0.3668 | 1.0637 | $ 2,154.97 | |
| | FY 26 27 with 5 pennies | 0.5966 | 0.05 | - | - | 0.6466 | 0.3871 | 1.0337 | $ 2,094.19 | $ (60.78) |
| | FY 26 27 with 8 pennies | 0.5966 | 0.05 | 0.03 | - | 0.6766 | 0.3871 | 1.0637 | $ 2,154.97 | $ - |
| | FY 26 27 with 10 pennies | 0.5966 | 0.05 | 0.05 | - | 0.6966 | 0.3871 | 1.0837 | $ 2,195.49 | $ 40.52 |
| | FY 26 27 with 14 pennies | 0.5966 | 0.05 | 0.09 | - | 0.7366 | 0.3871 | 1.1237 | $ 2,276.53 | $ 121.56 |
| POSTED FOR DISCUSSION | FY 26 27 with 17 pennies | 0.5966 | 0.05 | 0.12 | - | 0.7666 | 0.3871 | 1.1537 | $ 2,337.30 | $ 182.33 |

*Tax impact is calculated using only the Maintenance and Operations Tax Rate.*
*Estimated homeowner impact is based on an average taxable home value of $202,582.*
*Tax ceilings for homeowners age 65 and older or disabled homeowners may limit the impact on qualifying homesteads.*

# FINANCIAL HISTORICAL CONTEXT

| | Event | Financial Impact |
|---|---|---|
| FEMA | HHS Baseball Softball | $1,038,592.68 |
| | Stadium | $475,354.74 |
| | Ops Center | $1,435,308.29 |
| | Admin Costs | $76,279.10 |
| | Land Purchase | $3,947,439.39 |
| | Leadership Transitions | $516,000 |
| | Total | $7,488,974.20 |

During the 2023-2024 school year Huffman ISD's deficit was approximately $8,000,000

As of August 2026, our projected deficit is $2,955,058.00

# ADOPTED TAX RATE AND PROJECTED

| Tax Year | M&O | | I&S | | Total Tax Rate |
|---|---|---|---|---|---|
| 2024 | $0.6769 | + | $0.3968 | = | $1.0737 |
| 2025 | $0.6969 | + | $0.3668 | = | $1.0637 |
| 2026 | $0.6466 | + | $0.3871 | = | $1.0337 |

MAX. TAX W/OUT ELECTION

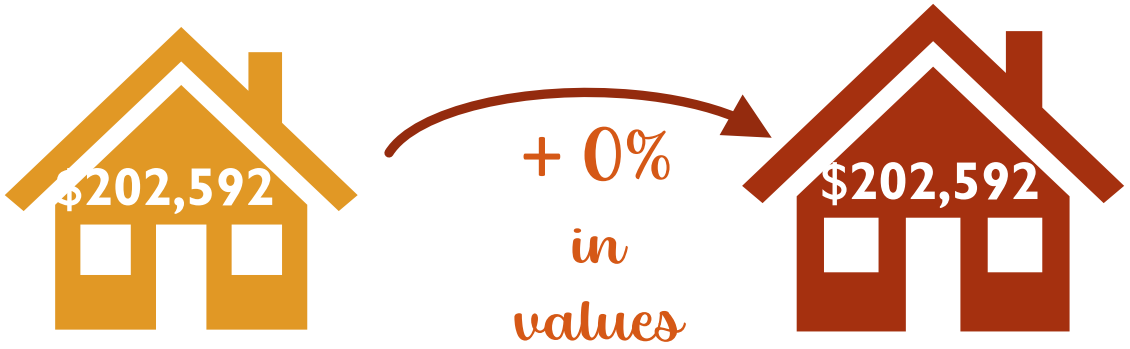
ABOVE THIS TRIGGERS ELECTION

- $0.01

- $0.03

- $0.04

# BUT WHOSE VALUE STAYED THE SAME???




- ❑ 2025 Taxable Value $342,592
- ❑ Homestead Exemption $140,000
- ❑ Tax Rate $1.0637

**2025 Tax Due $2,155**

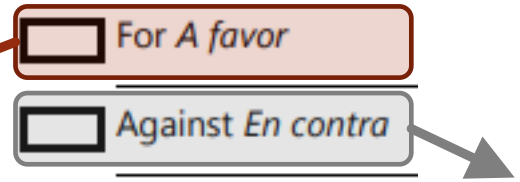
- ❑ 2026 Taxable Value $342,592
- ❑ Homestead Exemption $140,000
- ❑ Tax Rate $1.0637

**2026 Tax Due $2,155**

+ $0.00

Tax rate is the same. Valuation of property is the only difference.

If your value is increased by $10,000, then you tax due will increase by $106.37




**2026 Tax Due $2,094**

- $60.00

**Residents who are receiving a homestead exemption for disability or being 65 and older will not see an increase above their tax ceiling with the passage of VATRE.*

# 65+ AND DISABLED HOMEOWNERS

- When you qualify for an Over 65 or Disabled homestead exemption, the school taxes on your house do not increase. The ceiling freezes your school taxes at the amount you paid in the year you qualified for the exemption, absent substantial improvements to your property.
- **New this year!** The tax ceiling will be reduced due to ongoing tax rate compression since the year you first qualified for the exemption (due to decrease in district's MCR)
- Passage of Prop 4 (increasing the homestead exemption from $40,000 to $100,000) further decreases taxes owed.
- VATRE outcome does not impact your taxes owed, unless substantial property improvements were made.

# FUNDING IMPACT

2026-2027

# GUARANTEED YIELD PER PENNY

Golden

$129.52







Copper

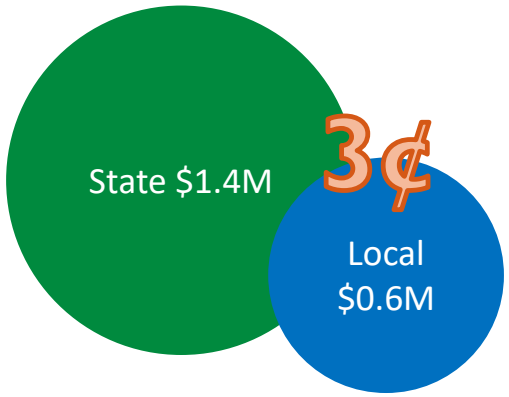
$49.72

| Each Penny* | Golden | Copper |
|---|---|---|
| Local Revenue | $199,668 | $199,668 |
| State Revenue | 472,225 | 57,635 |
| Total | $671,893 | $257,303 |

* 26-27 Preliminary - Based on revised WADA through 5th-6 weeks and estimated certified values

# ESTIMATED FUNDING IMPACT OF VATRE

| Number of Tier 2 Cents | 5 | 8 | 10 | 14 | 17 |
|---|---|---|---|---|---|
| Tier 1 State | $ 21,817,051 | $21,817,051 | $21,817,051 | $21,817,051 | $21,817,051 |
| Tier 2 State | 2,424,490 | 3,841,166 | 3,956,371 | 4,187,367 | 4,359,883 |
| Local Share | 12,457,276 | 13,056,280 | 13,455,616 | 14,254,287 | 14,853,291 |
| **Total State/Local Revenue** | **$ 36,698,817** | **$ 38,714,497** | **$ 39,229,038** | **$ 40,258,705** | **$ 41,030,225** |




$2,015,680
+ 3¢

$2,530,221
+ 5¢

$3,559,888
+ 9¢

$4,331,408
+ 12¢

# FUNDING IMPACT IF THE VATRE PASSES:



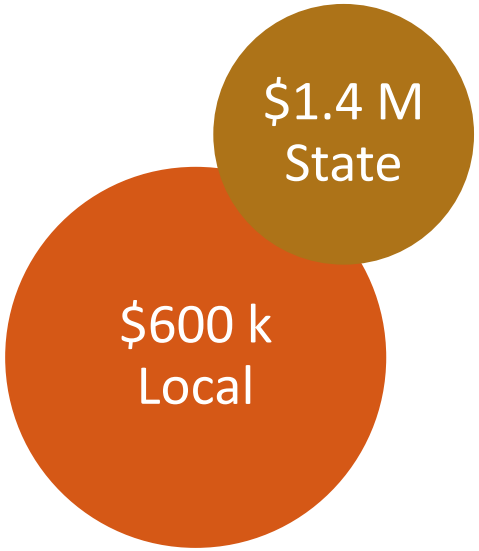







=

**$2,015,679 Million**




$726 Increase in Per Student Funding

2.3 to 1 ratio

# VATRE BALLOT

2026-2027

# BALLOT WORDING – REQUIRED BY THE STATE

**Huffman School District Special Voter-Approval Tax Rate Election**

**Huffman Proposition A**

Maintaining the 3 disaster cents from last year's rate.

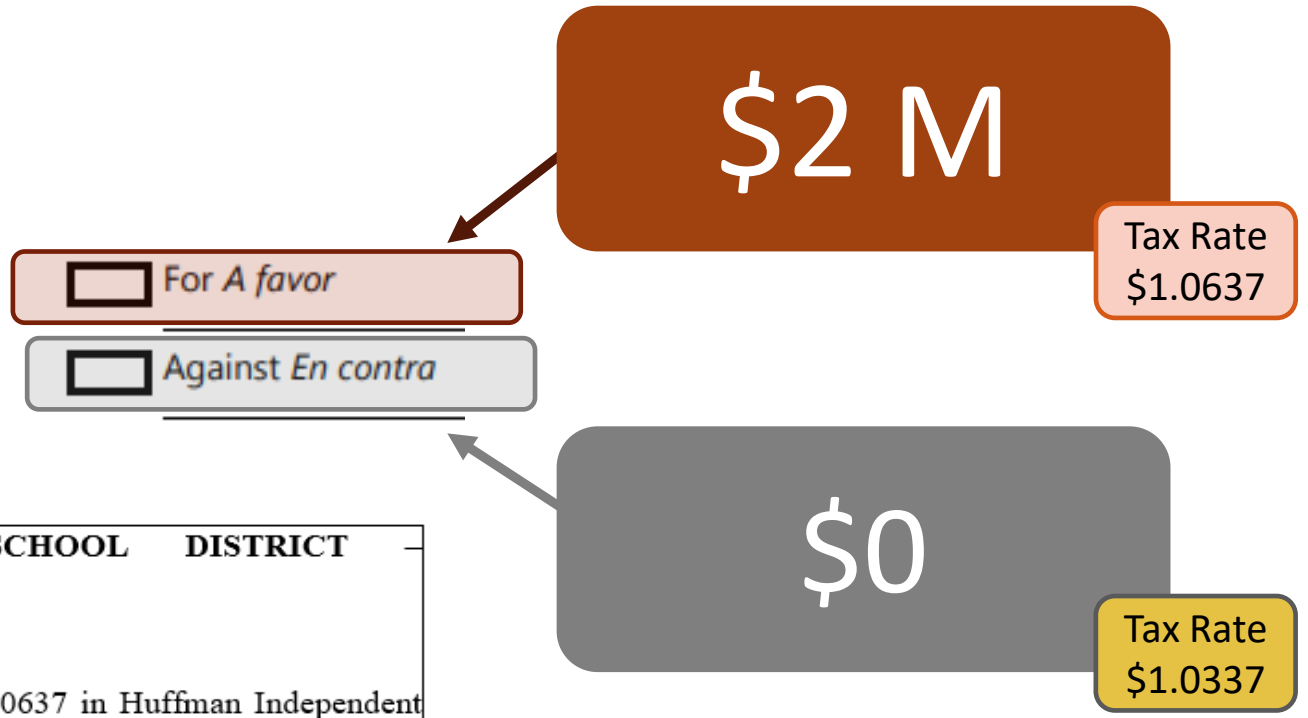
Ratifying the ad valorem tax rate of **$1.0637** in the Huffman Independent School District for the current year, a rate that will result in an increase of **4.88 percent in maintenance and operations tax revenue** for the district for the current year as compared to the preceding year, which is an additional **-$20.30**

This is a decrease, but wording requires "increase" of a negative number

This is a decrease in revenue, but wording requires to use the word "increase" of a negative amount.

**May lead voters to think the District is raising taxes, when in fact the total tax rate is staying the same.**

# BALLOT LANGUAGE




| | |
|---|---|
| ☐ FOR<br>☐ AGAINST | **"HUFFMAN INDEPENDENT SCHOOL DISTRICT – PROPOSITION A**<br>**THIS IS A TAX INCREASE.**<br>Ratifying the ad valorem tax rate of $1.0637 in Huffman Independent School District for the current year, a rate that will result in an increase of 4.88 percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional $ - $20.30 ." |
| | |

# GET INFORMED

## ONLINE

www.huffmanisd.net/PropA

or

Huffman ISD social media

## CALL

Huffman ISD

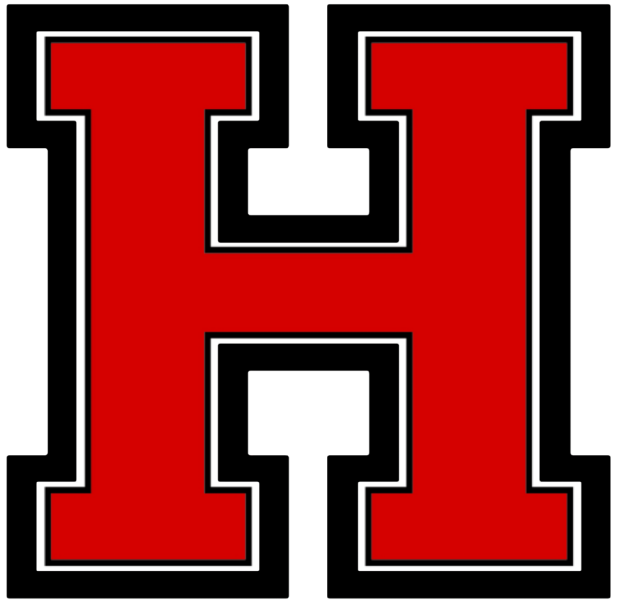
Education Admin Center

Dr. Angeles Perez

281.324.1871

Dr. Jesus Amezcua

281.324.1871















# WHAT QUESTIONS DO YOU HAVE?