

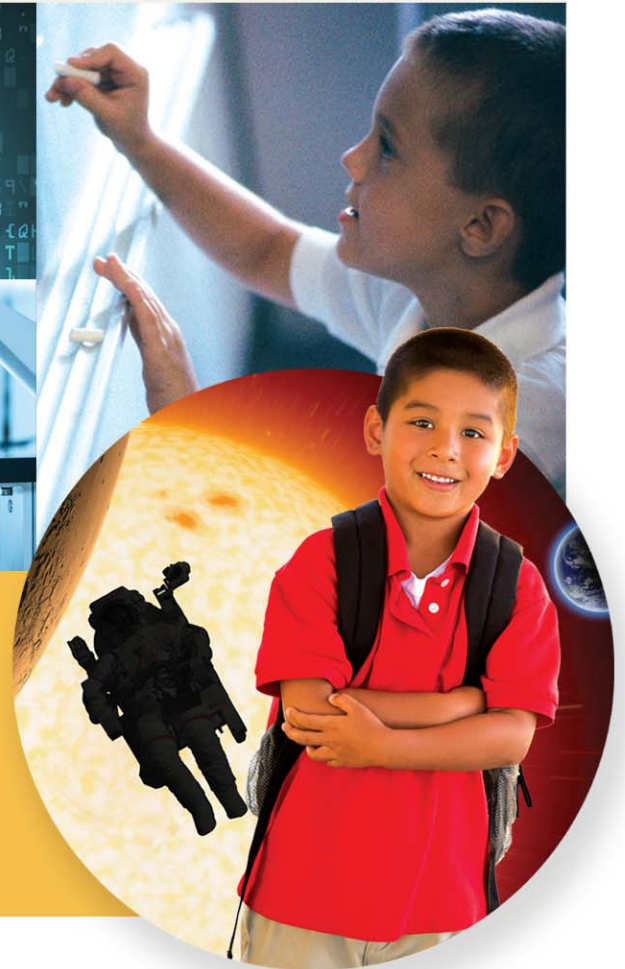
Property Taxes & School Funding 101

2016-17 SCHOOL YEAR



Futures beyond
what they
can imagine!

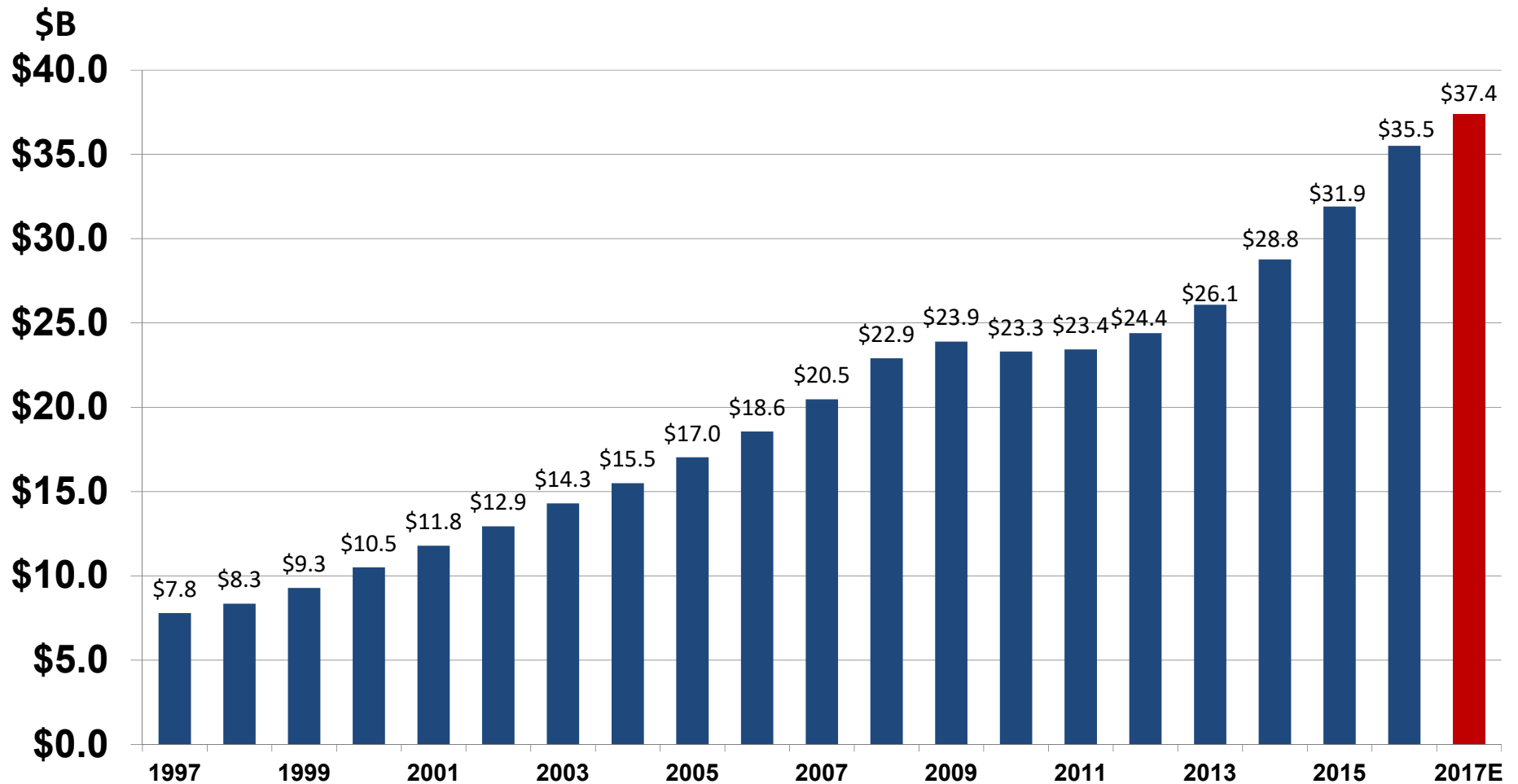
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Property taxes are a mechanism for the State to generate funding for the public school system

- **School property taxes are made up of two rates:**
 - **Maintenance & Operating Fund (M&O) – to fund the ongoing operations of the district (salaries, utilities)**
 - **Interest & Sinking Fund (I&S) – to fund the debt service costs for bonds issued for construction of new facilities and other capital eligible items (land, buses, renovations, etc.)**

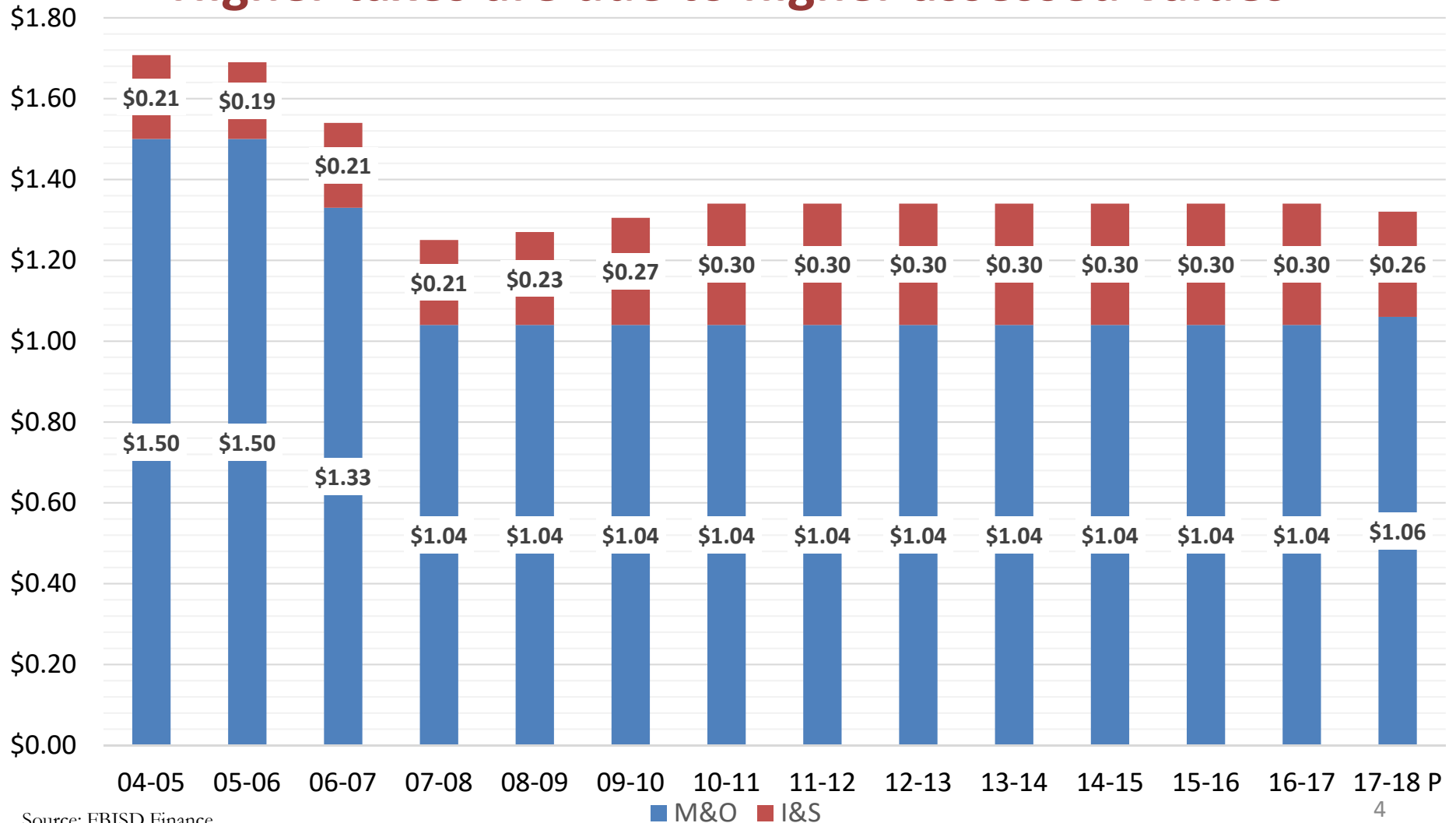
FBISD Property Value By Year



Source: FBISD CAFR (Adjusted Assessed)

FBISD Tax Rate History

Higher taxes are due to higher assessed values



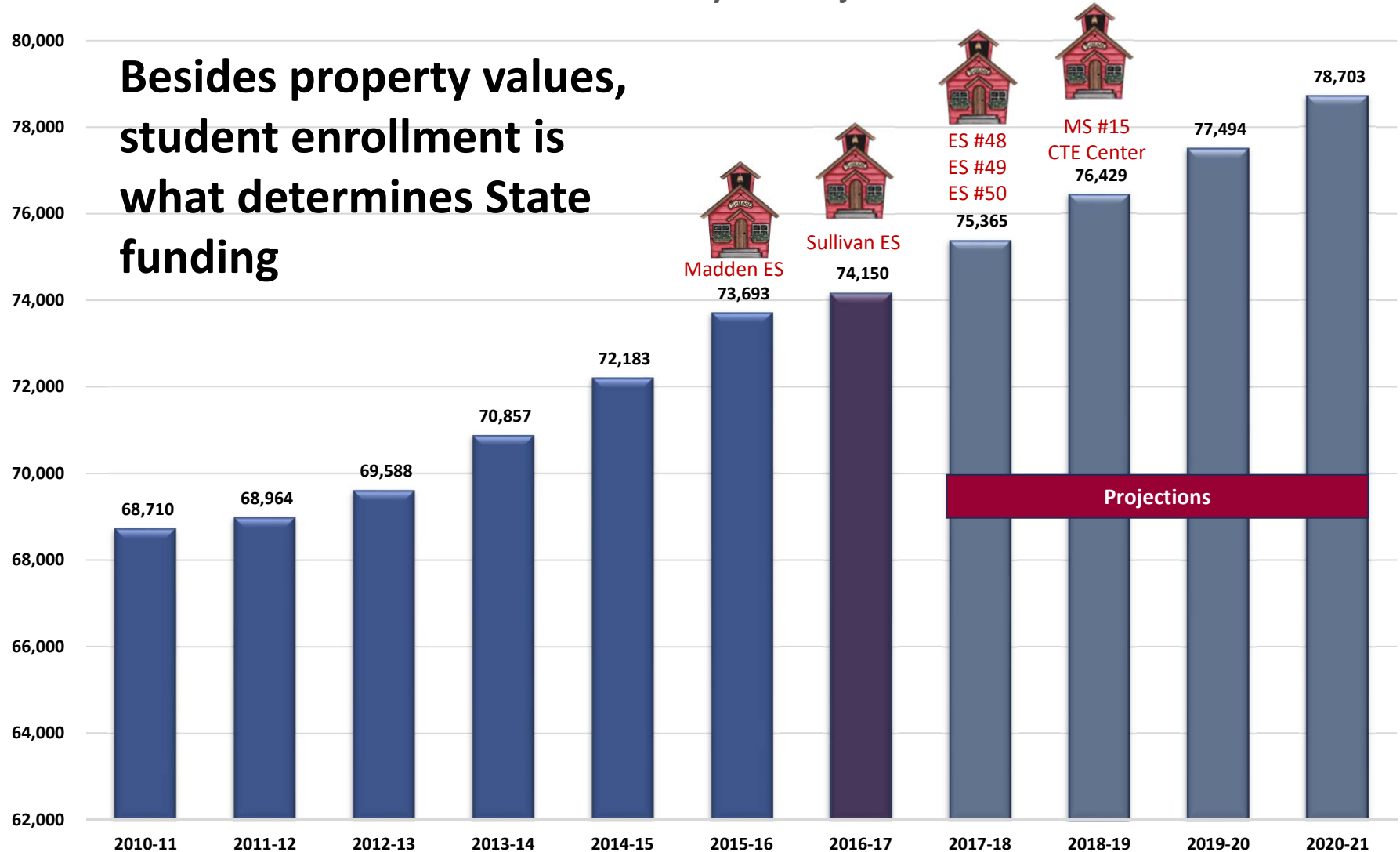
Source: FBISD Finance

Tax Rate Comparison – Surrounding Districts (2016 Tax Year)

| District | M&O Tax Rate | I&S Tax Rate | Total Tax Rate |
|-------------------|--------------|--------------|----------------|
| Humble | \$ 1.17 | \$ 0.35 | \$ 1.52 |
| Katy | \$ 1.13 | \$ 0.39 | \$ 1.52 |
| Galena Park | \$ 1.24 | \$ 0.32 | \$ 1.56 |
| Spring | \$ 1.04 | \$ 0.43 | \$ 1.47 |
| Cypress-Fairbanks | \$ 1.04 | \$ 0.40 | \$ 1.44 |
| Goose Creek | \$ 1.17 | \$ 0.26 | \$ 1.43 |
| Klein | \$ 1.04 | \$ 0.39 | \$ 1.43 |
| Clear Creek | \$ 1.04 | \$ 0.36 | \$ 1.40 |
| Spring Branch | \$ 1.09 | \$ 0.30 | \$ 1.39 |
| Lamar | \$ 1.04 | \$ 0.35 | \$ 1.39 |
| Pasadena | \$ 1.07 | \$ 0.28 | \$ 1.35 |
| Fort Bend (2017) | \$ 1.06 | \$ 0.26 | \$ 1.32 |
| Aldine | \$ 1.13 | \$ 0.19 | \$ 1.32 |
| Alief | \$ 1.13 | \$ 0.18 | \$ 1.31 |
| Conroe | \$ 1.04 | \$ 0.24 | \$ 1.28 |
| Houston | \$ 1.03 | \$ 0.18 | \$ 1.21 |

More Students = More State Aid

Enrollment History and Projections



FBISD 2016-17 State Allocation

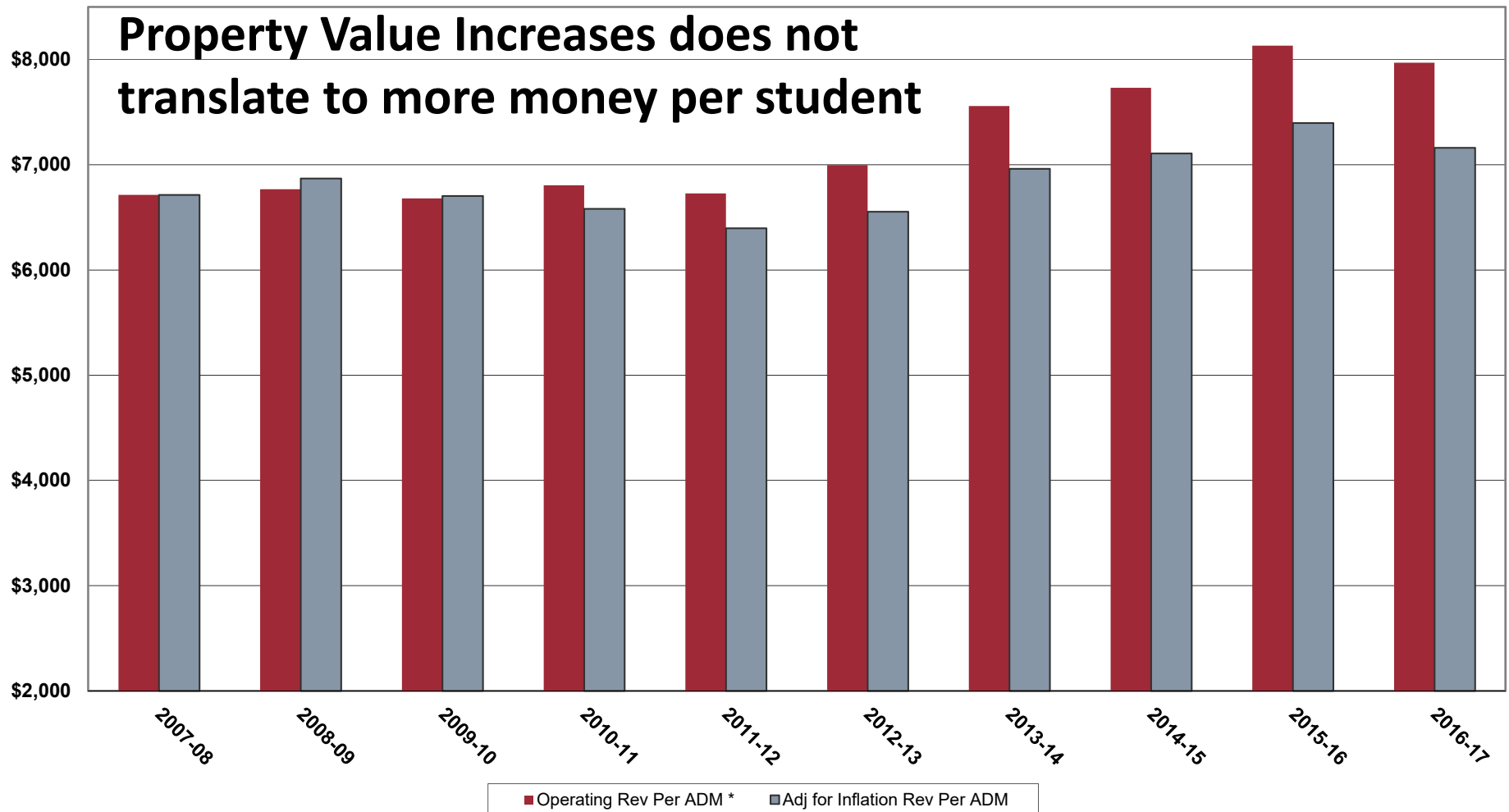
| State Funding Elements | Projected 2016-17 Year-end |
|---------------------------------------|---------------------------------------|
| State Allocation (enrollment based) | \$488,783,830 |
| Less: Local Fund Assignment | (\$314,871,059) |
| State Share of Tier I | \$173,912,771 |
| Tier II and Other Programs | \$16,165,233 |
| TRS on behalf | \$31,325,196 |
| Total 2016-17 State Allocation | \$221,403,200 |

Property taxes are a mechanism for the State to generate funding for the public school system

- **As local property values increase, the State share of funding decreases:**
 - **Recapture amount grows each year**
 - **Some Districts (Spring Branch, Highland Park, and now Houston ISD) have recapture amounts that are higher than the State allocation**
 - **These districts actually send money to the State each year**
 - **\$3.5B in the last biennium; estimate of \$5B in the next biennium**
 - **These amounts are not allocated to poorer districts**
 - **These amounts benefit the State general fund**

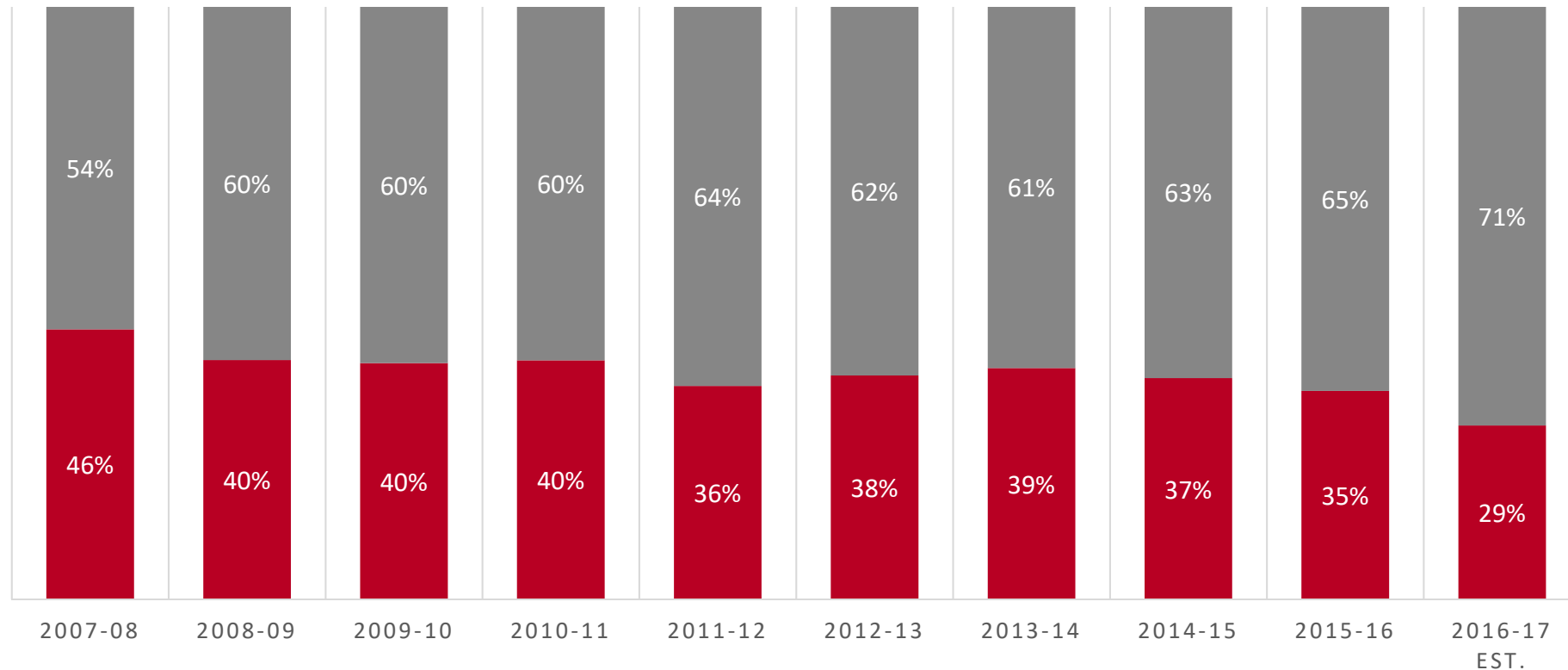
District Revenue Per Student

Compound Annual Growth Rate .72% Over 10 Years (Adjusted for Inflation)



FBISD State Share Over Time (M&O and I&S)

■ Avg state share per ADA ■ Avg local share per ADA



Source: Fort Bend ISD Staff

Can School Districts Lower Tax Rates?

- **M&O Tax Rate & Golden pennies: Part of property tax relief state law in 2006**
 - First six cents of tax effort over the compressed rate of \$1.00
 - Generates the highest level of funding (based on Austin Yield)
 - Districts with tax rates above \$1.00 will lose State revenue if they lower their tax rate
 - One FBISD penny is worth \$3.4 M in local taxes, and is projected to be worth \$5.3 M more in additional State revenue
- **I&S Tax Rate: Districts will lose State aid if tax rate is lowered**
 - However: FBISD does not get State aid for I&S fund
 - Higher property values and active debt management can create capacity within the Debt Service Fund to lower the rate

FBISD Drop & Swap produces more revenue

- Golden pennies – Based on Austin ISD Yield
 - FBISD currently has four golden pennies in its M&O rate and can add two additional golden pennies
 - Two pennies projected to be worth \$10.8 M in additional State revenue
- Higher property values and active debt management have created capacity within the Debt Service Fund



What is the impact on the overall tax rate?

| | I&S | | M&O | | Tax Rate |
|------------------------|----------------|---|---------------|---|----------------|
| Existing Tax Rate | \$0.30 | + | \$1.04 | = | \$1.34 |
| Tax Rate Drop and Swap | \$0.26 | + | \$1.06 | = | \$1.32 |
| Net Change | -\$0.04 | | \$0.02 | = | -\$0.02 |



FBISD

2017-18

BUDGET



Tax Rate Drop & Swap

Tax Drop & Swap: M&O Financial Impact



=



State \$10.8M

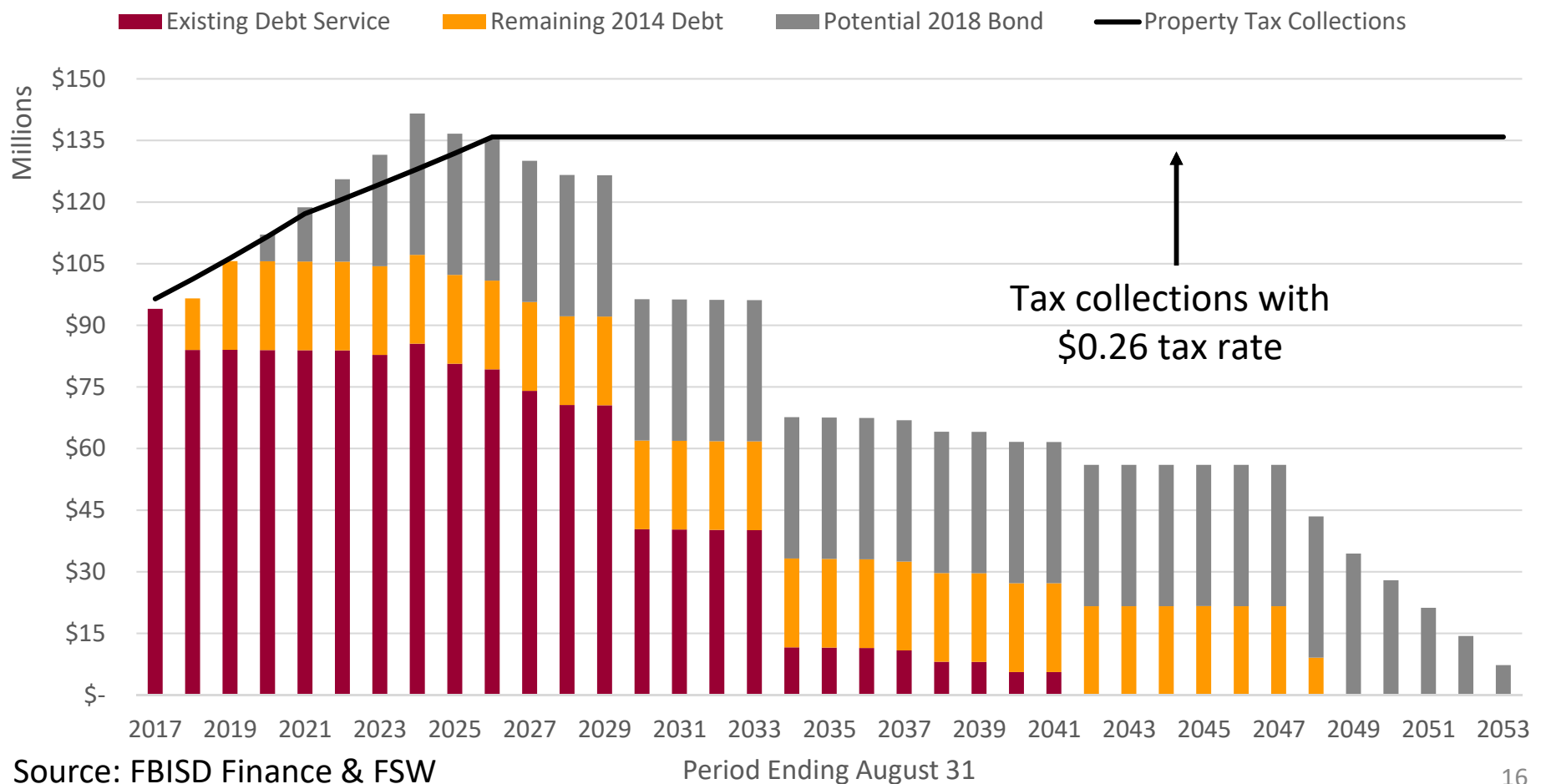
Local \$7.8M



Debt Service Tax Rate Reduction

- Property values continue to increase
- Active debt management strategy
 - Commercial paper program
 - Refunding of bonds (2005 & 2006 series)
 - Implementation of variable rate debt program
- Debt Service has a fund balance of \$59.0 M
- Fund must be able to absorb additional \$300M long term debt (authorized but not issued by end of 2017)
- Must also consider potential bond in 2018

Summary of Debt with Remaining Issues

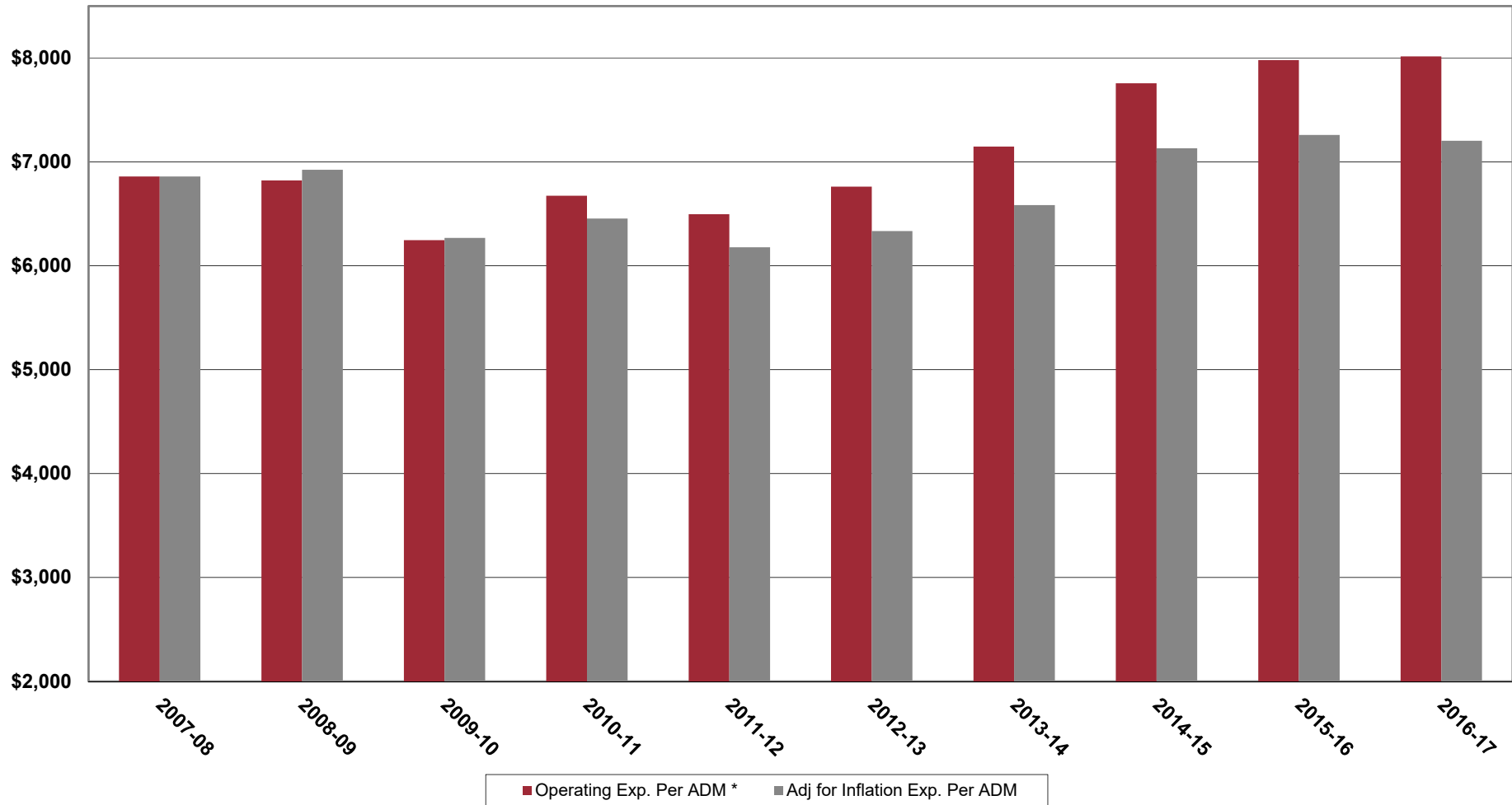




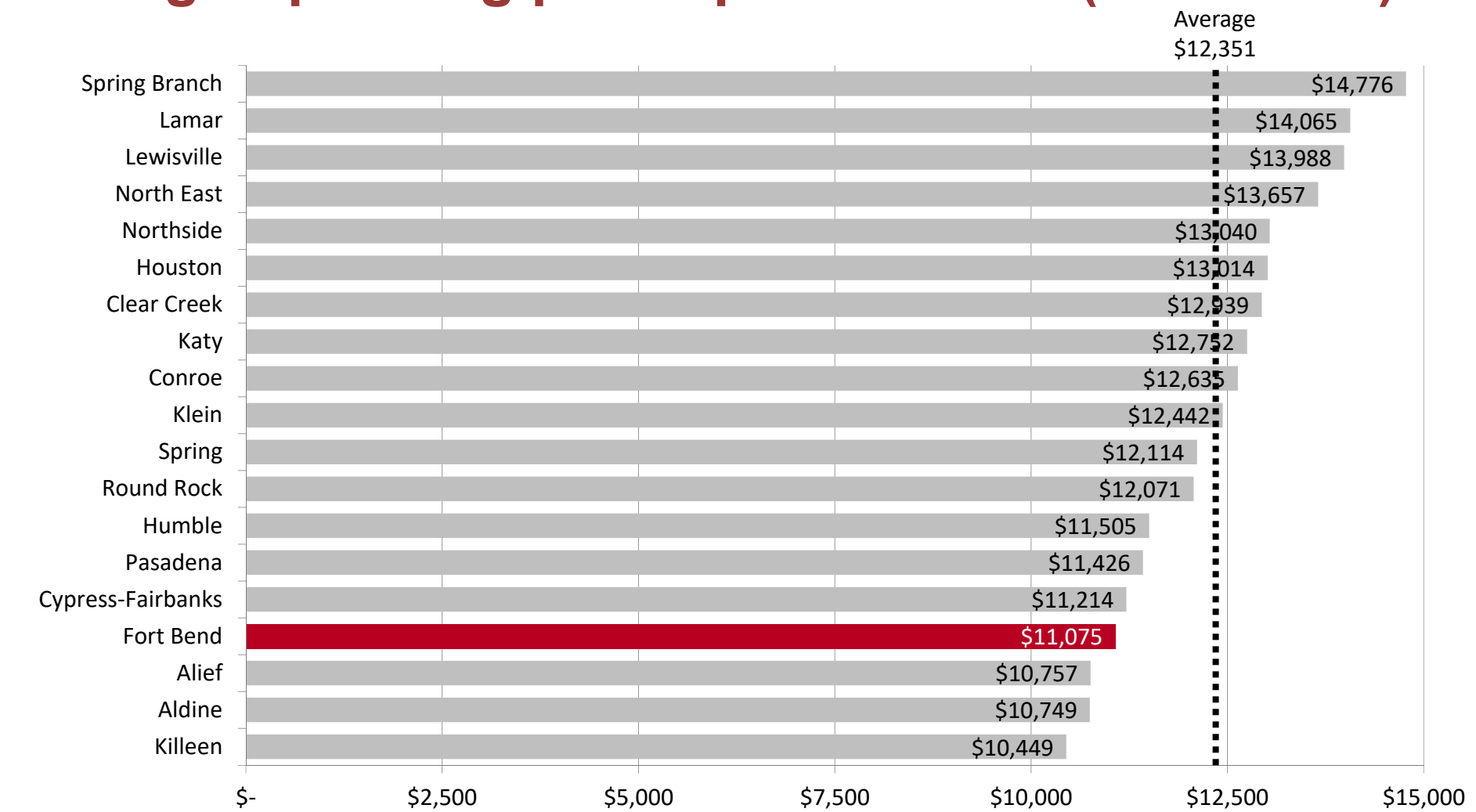
Why not just reduce the tax rate?

- Student enrollment has increased by 12% since 2007 (almost 8,000 students)
- We are opening five new campuses in the next two years
- Need recurring revenue stream to ensure we are able to:
 - Compete with other growing districts for teachers and other talent
 - Maintain investments made in new teachers and compensation adjustments
 - Sustain staffing additions for three new elementary campuses in 2017-18; a new Middle School and CTE center in 2018-19; and future student growth
- Current revenue streams are not enough to stay competitive and to meet staffing guidelines
- **Overall spending per student is efficient compared to peer districts**

Compound Annual Growth Rate .54% Over 10 Years (Adjusted for Inflation)



Average Spending per Pupil All Funds (2009-2016)





FBISD

2017 - 18

BUDGET



Tax Rate Drop & Swap

Tax Rate Drop & Swap Benefits:

- Maximizes state revenues: (\$10.8M increase)*
- Increases recurring revenues for General Fund: (\$18.6M)*
- Provides financial capacity to meet the investments needed for classroom staffing and compensation adjustments to maintain a highly qualified workforce
- Provides a means to generate sustainable recurring revenue and hedge against uncertainty of legislative actions this session
- Provides an overall decrease in tax rate

*based on current state projections



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Tax Rate Drop & Swap

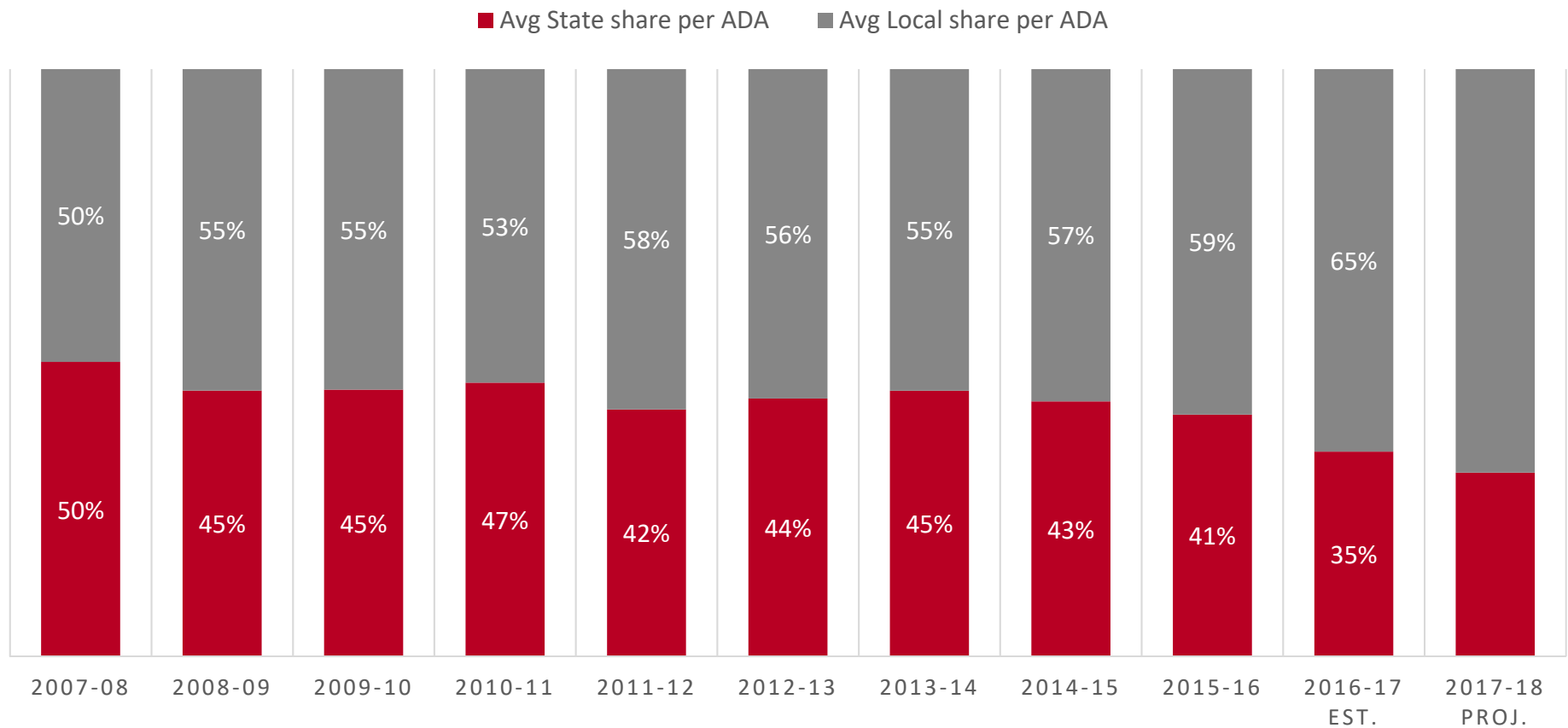
Questions



INSPIRE EQUIP IMAGINE

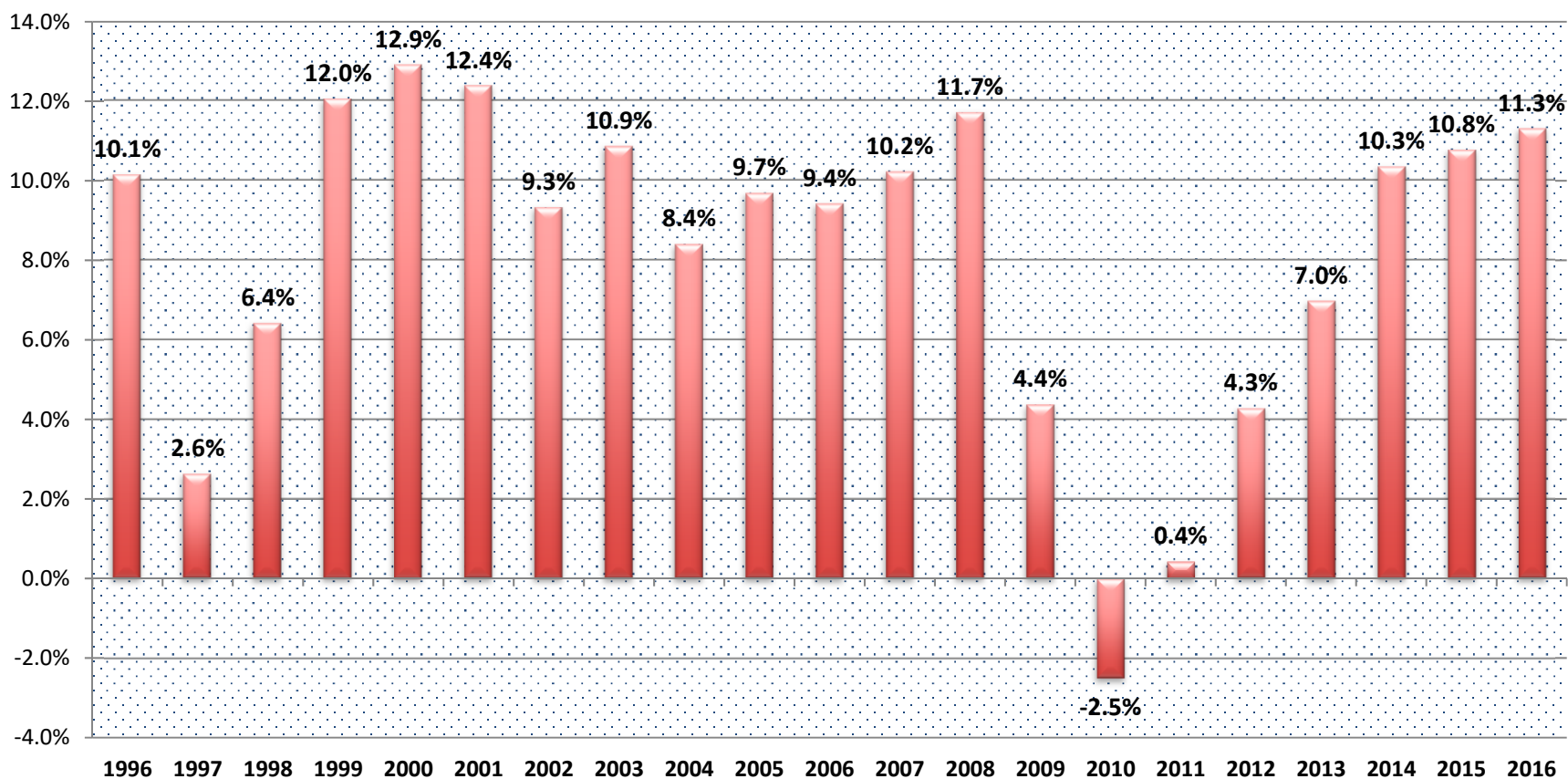


FBISD State Share Over Time (M&O only)



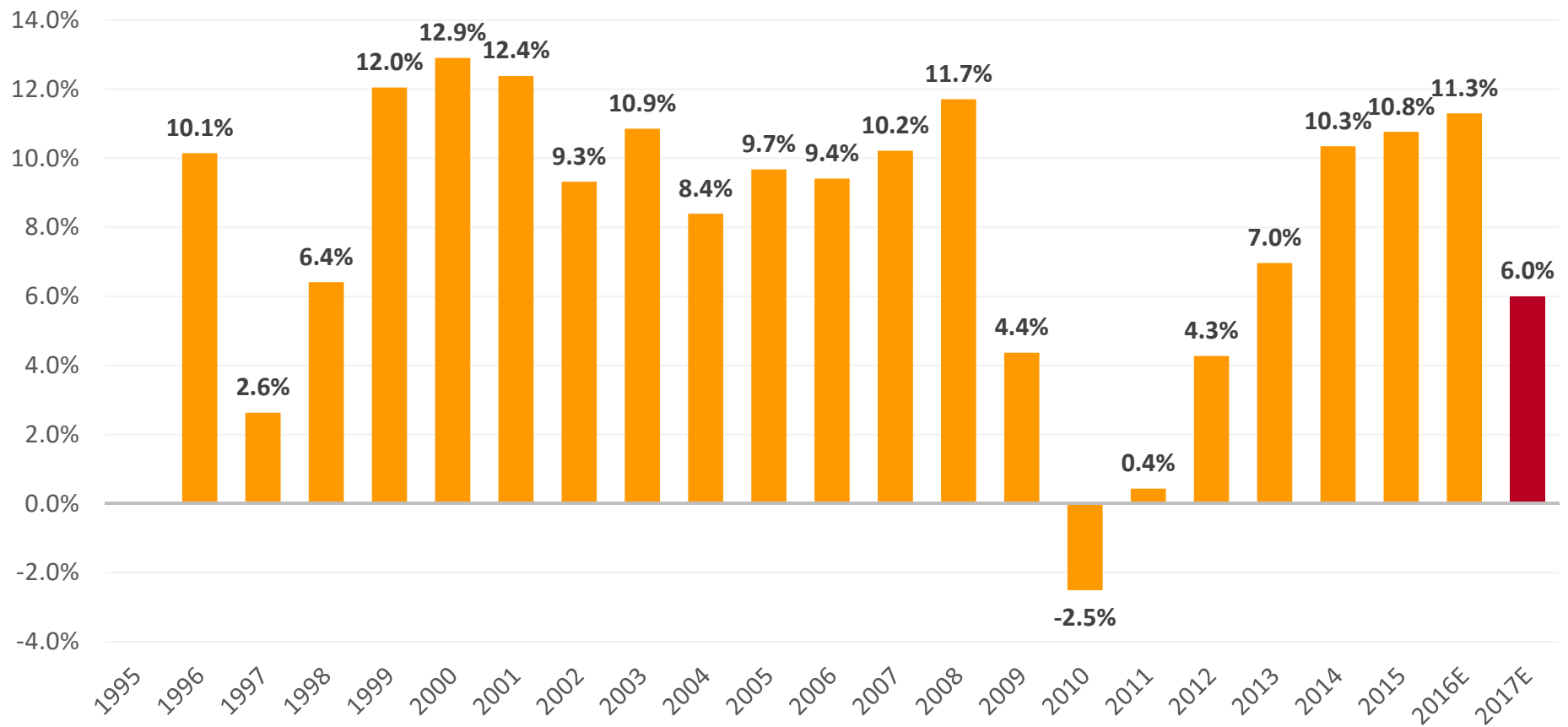
Source: Fort Bend ISD Staff

Annual Growth/(Decline) Net Assessed Property Value 1996 – 2016



Estimated

Annual Growth/(Decline) in Net Assessed Property Value 1996-2016



Source: FBCAD & FBISD Finance

FBISD 2016-17 Projected Year-end

FBISD Tier 1 Funding 2016-17 Projected Year-end

| | Current Weights | Current FTEs | Tier 1 Revenue |
|------------------------------|-----------------|--------------|-----------------------|
| Regular Program ADA | 1.0 | 66,466 | \$ 380,448,579 |
| Special Education | 1.1 - 5.0 | 1,378 | 33,780,874 |
| Career & Tech | 1.35 - \$50 | 2,985 | 23,078,683 |
| Bilingual | 0.10 | 10,451 | 5,981,946 |
| Gifted & Talented | 0.12 | 3,541 | 2,421,433 |
| Comp Ed | 0.20 | 27,672 | 31,678,906 |
| Comp Ed Pregnancy | 2.41 | 7 | 93,667 |
| Transportation Allotment | | | 4,829,906 |
| High School Allotment | \$275 | 22,704 | 6,243,716 |
| New Instruct Facfts Allotmnt | \$250 | | 197,500 |
| Public Education Grant | 0.10 | | 28,620 |
| Weighted ADA = 88,216 | | | \$ 488,783,830 |

Source: FBISD Finance



FBISD

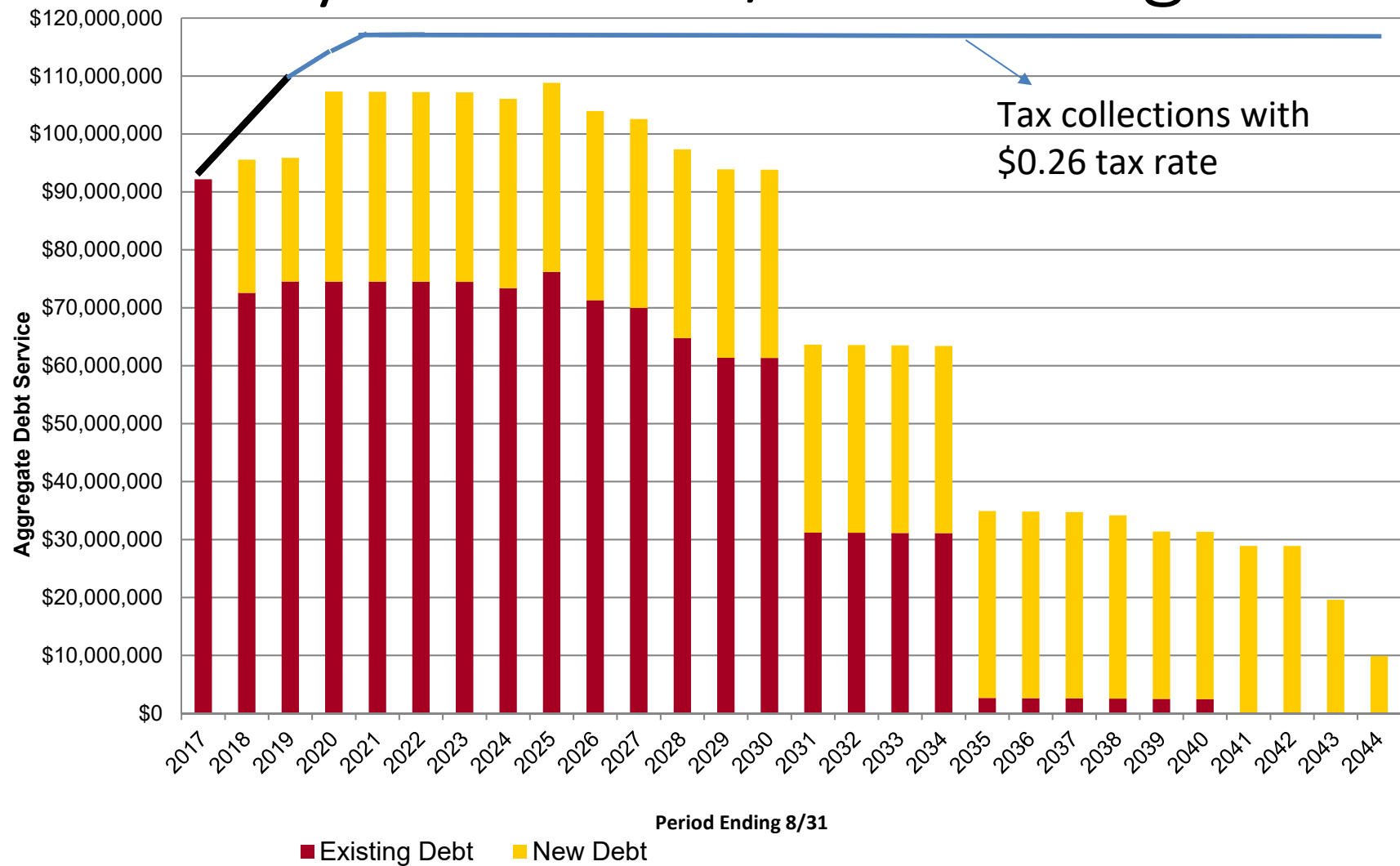
2017 - 18

BUDGET



Tax Rate Drop & Swap

Summary of Debt w/Remaining Issues





Property Tax Rate 101

- Compressed rate
 - Enacted by state legislature in 2005 for property tax relief
 - Legislature guaranteed school districts would be held harmless
 - For FBISD, compressed rate = \$1.00
- Golden pennies
 - First six cents of tax effort over the compressed rate of \$1.00
 - Generates the highest level of funding (based on Austin Yield)
 - Not subject to recapture
 - FBISD currently has four golden pennies in its M&O rate and can add two additional golden pennies with tax ratification election
 - Two pennies projected to be worth \$10.6m in additional State revenue
- Copper pennies
 - Any tax effort over \$1.06
 - Generates lower level of supplemental funding
 - Subject to recapture