

Texas Public School Finance

Layers of Knowledge Series

An Equity Center Presentation

**SF 2: Compressed Tax
Rates, Calculating Taxes,
State & Local Share of Tier 1**



COMPRESSED TAX RATES (CTR)

2005-06 M&O Tax Rates

- 1,028 Independent School Districts
 - 7 adopted an M&O tax rate *above* \$1.50
 - 545 adopted an M&O tax rate of exactly \$1.50
 - 476 adopted an M&O tax rate *below* \$1.50
- Over a two-year period, these 2005-06 M&O rates were compressed by one-third
 - \$1.50 compressed to \$1.00 (\$1.00 is two-thirds of \$1.50)
 - \$1.35 compressed to \$0.90 (\$0.90 is two-thirds of \$1.35)
- The Compressed Tax Rate, plus \$0.17 became the maximum M&O tax rate

2005-06 M&O Tax Rates Above \$1.50

Compressed Tax Rates Above \$1.00

County	District	2005-06 M&O Tax Rate	Compressed Tax Rate
Harris	Aldine ISD	\$1.6400	\$1.0934
Harris	Katy ISD	\$1.6300	\$1.0867
Harris	Galena Park ISD	\$1.6100	\$1.0734
Harris	Deer Park ISD	\$1.6000	\$1.0667
Harris	Spring Branch ISD	\$1.5750	\$1.0501
Harris	Pasadena ISD	\$1.5450	\$1.0301
Rusk	Leverett's Chapel ISD	\$1.6227	\$1.0819

Leverett's Chapel ISD successfully petitioned the Commissioner for \$1.00 CTR beginning in 2012-13.

2014-15 Compressed Tax Rates

Compressed Tax Rate	Number of Districts	Cumulative Total
Less than or equal to \$0.95	221	221
Between \$0.95 & \$1.00	250	471
\$1.00	542	1,013
Above \$1.00	6	1,019

CALCULATING TAXES

Calculating a Tax

- Tax rates are the amount an individual or other entity pays for every **\$100** of taxable value.

Calculating a Tax

- A tax rate of \$1.04 requires a property owner to pay \$1.04 for every \$100 of taxable value
 - If the value of a vacant lot is set at \$1,200, the owner would pay $\$1.04 \times 12$, because there are 12 one-hundred dollar units in \$1,200.
 - If a small building housing a shoe repair business were taxed at \$100,000 value, the owner would pay $\$1.04 \times 1,000$, because there are a 1,000 one-hundred units in \$100,000.

Calculating a Tax

Taxable value divided by 100, times the tax rate

$$(\$140,000 \div 100) \times \$1.04 = 1400 \times \$1.04 = \$1,456$$

$$(\$1,000,000 \div 100) \times \$1.04 = 10,000 \times \$1.04 = \$10,400$$

Foundation School Program (FSP) funding is the total of Tier 1, Tier 2, and I&S funding. The **SOURCE** of the funding is *shared* between the state and local ISDs.

STATE & LOCAL SHARES OF TIER 1 FUNDING

There are **TWO** sets of Property Values used in school finance

- **Locally Certified Property Value**
 - Central Appraisal Districts Certify Value
 - Current-year values
- **Adjusted State Certified Property Value**
 - CPTD values
 - Comptroller's Property Tax Division values
 - (Currently, Property Tax Assistance Division – PTAD)
 - Prior-year values
 - “Taxable value of property in the school district for the preceding tax year determined under Subchapter M, Chapter 403, Government Code”

Calculating the Tier 1 Local Share (Local Fund Assignment)

Start with a district's **prior year values**

divide by **100**

multiply by the **Compressed Tax Rate (CTR)**

Calculating the Tier 1 Local Share

CPTD Values = \$800,000,000

Compressed Tax Rate (CTR) = \$1.00

What's the Local Share of Tier 1?

$$\$800,000,000 \div 100 = 8,000,000$$

$$8,000,000 \times \$1.00 = \$8,000,000$$

Calculating the Tier 1 Local Share

CPTD Values = \$800,000,000

Compressed Tax Rate (CTR) = \$0.90

What's the Local Share of Tier 1?

$$\text{\$800,000,000} \div 100 = 8,000,000$$

$$8,000,000 \times \text{\$0.90} = \text{\$7,200,000}$$

Generally, the sum of a district's Tier 1 allotments
minus the **LOCAL SHARE** = **STATE SHARE**

But, as you will see in these lessons and beyond, there are a multitude of caveats, band aids, special deals and circumstances in public school finance that will complicate what otherwise would be a simple and efficient structure.



Equity Center

Standing Up for Texas Taxpayers and Children