Description of the Formula

Texas has a two-tiered program. Tier I is a foundation program based on a basic allotment of $4,765 that is indexed to the statewide property value per student in weighted average daily attendance (WADA). The basic allotment is adjusted by a cost of education index that reflects geographical variations in cost as they existed in 1990–91. The basic allotment is also adjusted for district size, in the case of small and mid-sized school districts. Tier I also includes allotments for compensatory education, special education, bilingual education, gifted and talented education, career and technical education, and transportation, as well as an allotment for high school students and an allotment that provides start-up funds for new campuses (New Instructional Facility Allotment). Local districts contribute revenue from their tax collections at their compressed tax rate to meet the local share requirements, also known as the local fund assignment (LFA), for Tier I. The compressed tax rate for each district is set at two-thirds of the district’s 2005–06 adopted tax rate (see below for further explanation of the compressed tax rate). State aid for Tier I is the difference between the total cost of Tier I and the LFA for the district.

Finally, additional state aid may be delivered to make sure districts reach a hold harmless level based on the total state and local revenue per WADA that districts received before tax rate reduction. Seven hundred eighty districts and charter schools receive aid under this provision, known as additional state aid for tax reduction.

Tier II is a guaranteed yield program that provides enrichment for each cent of tax effort that exceeds a district’s compressed tax rate. Tier II currently provides two levels of enrichment. The first level of Tier II provides a guaranteed yield based on the yield per WADA of the Austin Independent School District ($59.97 for 2010–11) for each of the first 6 pennies of tax effort above the compressed tax rate. The second level of Tier II is generated by tax effort that exceeds the compressed tax rate plus six cents. For 2010–11, the yield for the second level of Tier II is $31.95 per penny. A maximum of 11 pennies can be levied in this tier. The total maximum enrichment tax rate is 17 cents.
The state school finance system also includes provisions for “recapturing” local tax revenue in school districts where the wealth per WADA exceeds the equalized wealth level (EWL). Different EWLs apply to different levels of tax effort. The first EWL is based on the basic allotment, allowing school districts to retain revenue on a tax base equivalent to $476,500 per WADA. This EWL applies to the compressed tax rate. The second level of EWL exempts the next six pennies of tax effort above the compressed tax rate from any recapture provisions. Tax effort that exceeds the compressed rate plus six cents is subject to recapture based on an EWL of $319,500.

**District-Based Components**

**Density/Sparsity of Small Schools**
The basic allotment is increased by a percent proportional to the difference between a district’s ADA and 1,600 ADA. The percent increase is greater for districts having over 300 square miles. Districts having below 130 ADA use a minimum ADA depending on actual ADA, grades taught, and the distance to the nearest school.

The state also provides a mid-sized school district adjustment that is applicable to school districts with between 1,600 and 5,000 ADA. Since 2009–10, this adjustment is applicable to districts that are subject to the recapture of local tax revenue.

**Grade Level Differences**
No weights exist for grade level differences. A high school allotment that was first implemented during the 2006–07 school year provides districts with $275 per ADA in grades 9–12.

**Declining Enrollment or Growth**
There are provisions for districts with declining enrollment. If a decline in enrollment in a current school year is due to the closing of or reduction of personnel at a military base, the district is funded on the actual ADA of the preceding school year. If the decline in enrollment is not related to the closing of or reduction of personnel at a military base, the district may be funded at up to 98 percent of the ADA of the preceding school year. This provision is subject to a requirement that funds available for this purpose be used to fund all districts on the basis of the same percentage of prior year ADA. In the 2008–09 school year, the percentage of prior year ADA funded at schools with declining enrollment was 97.18%.

**Capital Outlay and/or Debt Service**
The state provides a bond guarantee program that provides school districts with the backing of the Permanent School Fund on the bond market. The program provides a AAA rating for school district bonds that results in favorable market conditions for districts when they issue bonds.

The 2009 legislative session created a new credit enhancement program for approved charter schools to perform the same function for charter schools as the bond guarantee program does for regular school districts, using funds from the foundation school program.

The state also provides two tax rate equalization programs to assist districts with the repayment of long-term debt.
The Instructional Facilities Allotment (IFA) program was authorized in 1997. This program assists districts with the repayment of annual debt service on bond issues and lease-purchase agreements that are used by districts to fund instructional facilities. Districts submit applications for this program after they receive authorization from voters to issue the long-term debt, but before the debt's issuance. Districts that receive awards begin receiving state assistance during the first year after the debt is issued. The state assistance is provided through tax rate equalization. The program effectively equalizes tax effort to the equivalent of $350,000 per ADA per penny of tax effort.

The Existing Debt Allotment (EDA) program was authorized in 1999. This program assists districts with the repayment of debt service on bonds that the district has issued and paid on as of a date certain in statute. The Texas Legislature has rolled forward that eligibility date by two years during each session since 1999 and established a permanent roll-forward provision in 2009. Currently, bonds that were issued and had at least one payment made on or before August 31, 2009, are eligible. This program also provides tax equalization that provides the equivalent of $350,000 per ADA per penny of tax effort.

The primary difference between the IFA and EDA programs is related to the timing of state assistance. With the IFA program, districts that receive IFA awards begin receiving state assistance as soon as the eligible debt is issued. With the EDA program, school districts typically issue the debt and make payments for up to two years before receiving state assistance, depending on the timing of the bond issuance. Also, the EDA program does not provide state assistance for lease-purchase agreements.

Transportation
The transportation allotment is based on a linear density formula, which is the average number of students traveling on regular bus routes each day divided by the approved route miles. Transportation funding is based on the cost to operate the regular transportation system and the linear density of that system. However, the allotment per mile cannot exceed the amounts set by appropriation, which have remained unchanged since 1984.

Transportation for special education students is based on the cost per mile for the previous year, not to exceed the legislated maximum. In 2010–11, that rate is $1.08 per mile. Transportation for career and technical education students is based on the actual number of miles traveled and the travel rate per mile for extracurricular activities as determined by the school district board of trustees and approved by the agency. Private transportation, used for students in remote areas and determined on a case-by-case basis, is funded at the rate of $0.25 per mile, with a maximum annual amount of $816 per student.
**Student-Based Components**

**Special Education**
For the portion of the day students are served in approved programs, the adjusted allotment is multiplied by a weight varying from 1.7 to 5.0, depending on the instructional arrangement used. Additional funding equal to the adjusted basic allotment multiplied by 1.1 is also provided for students who are served in a mainstream instructional arrangement. A special education student who resides in a care and treatment facility and who receives his or her instruction on a local school district campus in a district other than the district in which the student’s parent or guardian resides is eligible for a funding weight of 4.0, if the student does not reside in a state supported living center. If a similarly situated special education student resides in a state supported living center, the student is eligible for a funding weight of 2.8.

**Pupil Weights for Special Education Programs**

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebound</td>
<td>5.0</td>
</tr>
<tr>
<td>Hospital class</td>
<td>3.0</td>
</tr>
<tr>
<td>Speech therapy</td>
<td>5.0</td>
</tr>
<tr>
<td>Resource room</td>
<td>3.0</td>
</tr>
<tr>
<td>Self-contained, mild and moderate, regular campus</td>
<td>3.0</td>
</tr>
<tr>
<td>Self-contained, severe, regular campus</td>
<td>3.0</td>
</tr>
<tr>
<td>Off home campus</td>
<td>2.7</td>
</tr>
<tr>
<td>Non-public day school</td>
<td>1.7</td>
</tr>
<tr>
<td>Vocational adjustment class</td>
<td>2.3</td>
</tr>
<tr>
<td>(Above categories based on FTEs)</td>
<td></td>
</tr>
<tr>
<td>Mainstream students (Based on ADA)</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**Compensatory Education**
Funding is provided for 20% of the adjusted allotment per pupil eligible to receive free or reduced price lunches under the National School Lunch Program (NSLP). A funding weight of 2.41 is applied to each full-time equivalent student who is pregnant and is receiving compensatory education services. School districts and charter schools that do not participate in the NSLP may participate in an alternative reporting program to deliver compensatory education funding for income eligible students.

**Pupil Weights for Compensatory Education**

<table>
<thead>
<tr>
<th>Definition of Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pupils who qualify and participate in a free and reduced-price lunch program (per ADA)</td>
<td>0.25</td>
</tr>
<tr>
<td>Pupils who are pregnant (per FTE)</td>
<td>2.41</td>
</tr>
</tbody>
</table>

**English Language Learner/Bilingual Education**
State aid is 10% of the adjusted allotment per pupil enrolled in a bilingual or special language program.
**Gifted and Talented Education**
Gifted and talented students generate additional funding equivalent to 12% of the adjusted basic allotment. Eligibility for this funding is limited to a maximum of 5% of students in ADA.

**Career and Technical Education (CTE)**
Full-time equivalent students in designated CTE programs generate a funding weight of 1.35.

**Other**
In 2006, the Texas Legislature passed a major property tax bill that was designed to drive down local property tax rates. In 2006–07, school districts underwent the first round of tax rate compression, designed to reduce local property taxes. State aid is provided to make up for the loss of local tax revenue. In 2006–07, local tax rates were reduced by 11% from the 2005–06 school year. In 2007–08, local tax rates were further reduced, to produce a one-third reduction from the 2005–06 property tax rates.

In the 2009 legislative session, an attempt was made to simplify the school finance system. The tax rate used to determine the local share of Tier I was raised from $0.86 to a higher level to encompass the whole compressed tax rate (normally around $1.00), and the basic allotment was increased substantially, from $3,218 to $4,765, while the first level of enrichment was eliminated.

**Revenue and Expenditure Information**

**State Mandates Restricting Revenue or Expenditure Increases**
Provisions in the property tax code limit the ability of districts to increase property tax rates. These provisions have become more restrictive with the passage of property tax relief in 2006. Beginning in 2007–08, school districts were allowed to adopt tax rates to maintain their 2006–07 revenue per student in weighted average daily attendance (WADA) or a tax rate of $1.00, whichever was less. They could add $0.04 to this base rate without triggering an election. Districts that wished to add more than $0.04 to their base rate could conduct a rollback election in which voters were given the opportunity to accept or reject the higher tax rate. The maximum maintenance and operations tax rate for districts continues to be $1.17.

**Property Assessment Ratios Used/Legal Standards for Property Assessment**
Property is assessed at 100% of fair market value for the purposes of the school finance system, including the levying of local property taxes.

**Measure of Local Ability to Support Schools**
The total taxable value of property for each school district is determined by the Property Tax Assistance Division of the Office of the Comptroller of Public Accounts (CPA). The CPA determines the full value of property and makes adjustments for properties that are exempt from taxation, including reductions to the value of agricultural property and reductions to the value of residential property for mandated homestead exemptions.

**School District Budget and Tax Rate Procedures/Sources of Local Revenue**
School districts in Texas are fiscally independent of the state. There are currently 1,024 districts with tax bases. There are an additional 208 active charter schools, and 24 special districts that do not have property tax bases. School districts must publish notices and hold hearings regarding their adoptions of tax rates and budgets. The adoption of tax rates is dictated by provisions in the 2006 property tax relief bill, which are described in the section above labeled “State Mandates Restricting Revenue or Expenditure Increases.”

**State Support for Nonpublic Schools**
State support for nonpublic schools is limited to the provision of a special education funding weight for students who are served by nonpublic day schools.