



## TEXAS

### Description of the Formula

Texas has a two-tiered program. Tier I is a foundation program based on a basic allotment of at least \$4,765 or a greater amount as established in the appropriations process. For the 2014–2015 school year, the basic allotment is \$5,040. The basic allotment is adjusted by a cost-of-education index that reflects geographical variations in cost as they existed in 1990–1991. 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 low-income and at-risk, special education, bilingual education, gifted and talented education, career and technical education, and transportation. Additionally, Tier I provides a high school students allotment and the New Instructional Facilities Allotment (NIFA) that provides start-up funds for new campuses. The NIFA has not been funded since the 2010–2011 school year. Local districts contribute revenue from their tax collections at their compressed tax rate to meet the Tier I local share requirements, also known as the local fund assignment (LFA). The compressed tax rate for each district is set at two-thirds of the district's 2005–2006 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 district's LFA.

Finally, additional state aid may be delivered to make sure that districts reach a hold-harmless level based on the total state and local revenue per weighted average daily attendance (WADA) that districts received before tax rate reduction. An estimated 283 districts and charter schools are projected to receive aid under this provision, known as additional state aid for tax reduction, in the 2014–2015 school year.

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 (\$61.86 for 2014–2015) for each of the first 6 pennies of tax effort above the compressed tax rate.
- The second level of Tier II is generated by the tax effort that exceeds the compressed tax rate plus six cents. For 2014–2015, 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 which allows school districts to retain revenue on a tax-base equivalent to \$504,000 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 tax rate plus six cents is subject to recapture based on an EWL of \$319,500.

## **District-Based Components**

### **Density or Sparsity of Small Schools’ Populations**

The basic allotment is increased by a percentage proportional to the difference between a district’s average daily attendance (ADA) and an ADA of 1,600 students. The percentage of increase is greater for districts having over 300 square miles. Districts with an ADA below 130 students use a minimum ADA based on actual ADA, grades taught, and distance to the nearest school.

The state also provides a mid-sized school district adjustment that applies to school districts with an ADA between 1,600 students and 5,000 students. Since 2009–2010, this adjustment applies to districts that are subject to the recapture of local tax revenue as well as those that are not.

### **Grade Level Differences**

No weights exist for grade-level differences. A high school allotment that was first implemented during the 2006–2007 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 enrollment declines during a current school year because of the closing of or reduction of personnel at a military base, the district is funded based 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% of the ADA of the preceding school year. This provision is subject to a requirement that calls for funds available for this purpose be used to fund all districts based on the same percentage of the prior year ADA. Funds have not been available for this provision since the 2010–2011 school year.

### **Capital Outlay and/or Debt Service**

The state provides a bond guarantee program that backs school districts with the Permanent School Fund on the bond market. The program provides a AAA rating for approved school district and charter school bonds that results in favorable market conditions. Charter schools must be able to achieve an investment grade rating without the benefit of the guarantee to be eligible.

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 repaying annual debt service on bond issues and lease-purchase agreements that districts use 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 repaying debt service on bonds that the district has issued and paid on as of a date certain in statute. The Texas Legislature has rolled the eligibility date forward 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, 2013, are eligible. This program also provides tax-rate equalization that provides the equivalent of \$350,000 per ADA per penny of tax effort.

The primary difference between the IFA and the EDA programs is 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 2014–2015, the maximum 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.

## Charter Schools

Charter schools receive funding based on the state average ISD adjusted allotment in Tier I and the state average tax effort in Tier II, but no local share is deducted since they do not have a property tax base. Like traditional ISDs, charter schools receive additional weighted funding based on individual student characteristics such as participation in special education or participation in bilingual education.

## Student-Based Components

### Special Education

For the portion of the day that 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 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

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

### Low Income / Comp Ed / At-Risk

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 low-income and at-risk services. School districts and charter schools that do not participate in the NSLP may participate in an alternative reporting program to deliver low-income and at-risk funding for income-eligible students.

## **Pupil Weights for Low-Income and At-Risk Students**

<b>Definition of Category</b>	<b>Weight</b>
Pupils who qualify and participate in a free and reduced-price lunch program (per ADA)	0.20
Pupils who are pregnant (per FTE)	2.41

### **English Language Learner/Bilingual Education**

State aid is 10% of the adjusted allotment per pupil enrolled in a bilingual or a 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.

### **Preschool Education**

Students that are three or four years old and that are educationally disadvantaged, are unable to speak and comprehend English, are homeless, are a child of an active-duty member of the armed forces or a person who was injured or killed while serving as an active member of the armed forces, or are in conservatorship of the Department of Family and Protective services are eligible for half-day funding under the Foundation School Program.

### **Other**

In 2006, the Texas Legislature passed a major property tax bill designed to drive down local property tax rates. In 2006–2007, 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 2006–2007, local tax rates were reduced by 11% from the 2005–2006 school year. In 2007–2008, local tax rates were further reduced to produce a one-third reduction from the 2005–2006 property tax rates.

In the 2009 legislative session, the legislature attempted to simplify the school finance system. The tax rate used to determine the local share of Tier I was raised from \$0.86 to encompass the whole compressed tax rate (normally to around \$1.00), the basic allotment was increased substantially from \$3,218 to \$4,765, and 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 became more restrictive with the passage of property tax relief in 2006. Beginning in 2007–2008, school districts were allowed to adopt tax rates to maintain their 2006–2007 revenue per student in WADA or a tax rate of \$1.00, whichever was less. Districts can add

\$0.04 to this base tax rate without triggering an election until they reach a tax rate of \$1.04. Districts that wish to tax above \$1.04 can conduct a tax ratification election in which voters are 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 and 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. Taxable values on residential homesteads cannot grow by more than 10% per year.

### **Measure of Local Ability to Support Schools**

The total taxable value of property for each school district is determined by the Office of the Comptroller of Public Accounts (CPA), Property Tax Assistance Division. 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 1,021 districts with tax bases. There are an additional 196 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 above in the “State Mandates Restricting Revenue or Expenditure Increases” Section.

### **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.