

May 1, 2018

Subject: Charter School Facility Funding

TO THE ADMINISTRATOR ADDRESSED:

Background

House Bill (HB) 21 (85th Legislature, 1st Called Session) created a new allotment per average daily attendance (ADA) under Texas Education Code (TEC), §12.106(d) for open-enrollment charter schools based on the state average interest and sinking (I&S) tax rate imposed by school districts. Once eligibility has been determined, funding for eligible charter schools will be distributed (along with all the other state aid) in accordance with the standard foundation school fund payment schedule. The TEA will follow the calculation as prescribed by the legislation. Charter schools do not need to apply to the TEA to receive the funding.

Eligibility

Pursuant to TEC, Section 12.106(e), a charter holder is entitled to receive funding for facilities if the most recent overall performance rating assigned to the open-enrollment charter school under TEC, Subchapter C, Chapter 39, reflects at least acceptable performance.

Pursuant to TEC, Section 12.106(f), funds received by a charter holder may only be used:

- to lease an instructional facility;
- to pay property taxes imposed on an instructional facility;
- to pay debt service on bonds issued to finance an instructional facility; or
- for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility

Charter School Facility Funding Allotment Calculation

An amount of \$60 million was allocated in HB 21 to fund payments to open-enrollment charter schools under TEC, Section 12.106(d). The state average school district I&S tax rate is currently estimated at \$0.21 for each hundred dollars of valuation, which would deliver \$241 million in funding, so the \$60 million limit will apply. The \$60 million will be distributed on a per ADA basis to eligible charter schools. The Texas Education Agency currently estimates that eligible charter schools will receive approximately \$200 per student in ADA. (This is an estimated amount for budget planning purposes only and is subject to change.) Payments will be sent out on the foundation payment ledger, appearing on the summaries of finance (SOF) as a line item on the Other Programs Detail Report with its own detail report.

As noted above, a minimum academic rating of acceptable is required to receive charter school facility funding based on the “most recent overall performance rating.” A Commissioner’s rule is forthcoming that will define the most recent rating year for the purposes of determining funding eligibility. Once this rule is in effect, the 2018-2019 SOF report will be updated to incorporate preliminary estimates of the funding allotment.

A revised calculation of the amount will occur in September 2019 immediately following the school year and will be based on actual attendance data submitted to the Texas Student Data System (TSDS) Public Education Information Management System (PEIMS) summer submission and the actual state average district I&S tax rate for the 2018 tax year. Any differences in funding between the estimated and near final amounts will be incorporated as part of the regular Foundation School Program settle-up process.

The 2018-2019 Charter School Estimate of State Aid template will incorporate the calculation of the new facilities per ADA allotment funding. The template will be made available on the [Charter School Finance](#) webpage by July 1, 2018. When completing the template, in order to see the facilities funding allotment, charter schools will need to select “YES” when answering the question of whether or not they met the minimum academic performance standards in order to qualify for the allotment. This template should be used for budget and planning purposes only, and it does not guarantee eligibility for the allotment.

Coding, Reporting and Uses of Funds: When recording these revenues, charter schools must use fund code 420 and object code 5812. Per the legislation, and as noted above, funds received by a charter holder may only be used to lease an instructional facility; to pay property taxes imposed on an instructional facility; to pay debt service on bonds issued to finance an instructional facility; or for any other purpose related to the purchase, lease, sale, acquisition, or maintenance of an instructional facility.

For more information regarding charter school facility funding, contact Dina Black by phone at (512) 463-9531 or email at dina.black@tea.texas.gov. Please contact the Financial Accountability Division at (512) 463-9238 or financialaccountability@tea.state.tx.us for questions about how to code supplemental funding amounts.

Sincerely,

Leo Lopez

Associate Commissioner

School Finance/Chief School Finance Officer