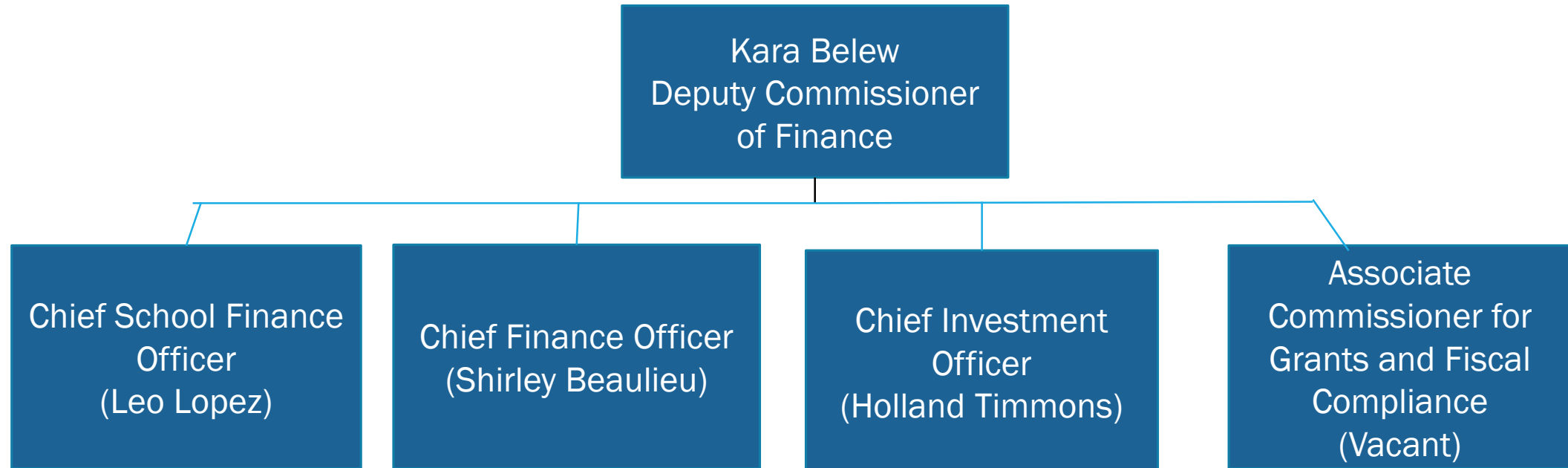


State Funding Update

TEXAS EDUCATION AGENCY

JANUARY 2017

Organizational Structure



School Finance Department

State Funding	Financial Compliance
State funding under Chapter 42	Financial Accountability Ratings System (FIRST)
Recapture under Chapter 41	Student Attendance Accounting (SAAH)
Facilities Funding under Chapter 46	Audit
Permanent School Fund Bond Guarantee Program	Financial Accountability System resource Guide (FASRG)

State Funding Division

Contact Information

Name	Phone	Program
Al McKenzie	512-463-9186	Director
Amy Copeland	512-463-8732	Assistant Director
Ashley Behnke	512-463-4834	OFSDP / OFYP / State Compensatory Education
Cassie Huggins	512-463-9232	PSF Bond Guarantee Program / NIFA
Danny Sanchez	512-463-9266	Transportation
Dina Black	512-463-9531	Charter School Funding
Jacqueline Pree	512-475-1217	IFA / EDA
Katherine Heeb	512-463-9334	Attendance Projections
Kim Wall	512-463-4809	Chapter 41 Wealth Equalization
Nancy Kuhn	512-463-6313	FSP Reports / Tax Information Survey / Chapter 313 / TIRZ
Nora Rainey	512-463-7298	FSP Operations Manager
Pablo Reyes	512-463-9260	TEASE Access for FSP/ Staff Salary

Agenda

- ☐ Summary of Finances and Payment Cycle Update
 - ☐ Closing out 2015-2016
 - ☐ Updates to 2016-2017
- ☐ Compressed Tax Rate Adjustments
- ☐ TEASE Access for the FSP System
- ☐ Instructional Facilities Allotment
- ☐ Chapter 41 Wealth Equalization
- ☐ Status of Additional State Aid for Tax Reduction (ASATR)
- ☐ Property Value Growth and Decline
- ☐ Preparing for Next Biennium 2018-2019

Status of Foundation School Program Payment Cycle

Payment Cycle Update

TEA flows cash to districts during the current year based on legislative payment estimate (LPE) calculations

TEA will “settle-up” with districts the following year when actual information for the prior year is available

Settle-up occurs in two cycles

- Near Final in September
- Final in April

Positive balances are paid out and negative balances are either netted against payments in the subsequent school year or a refund is requested

Closing out 2015-2016

Near Final Settle Up (2015–2016)

- Near final summaries of finance (SOF) for the 2015–2016 school year were published back in September. These incorporated:
 - PEIMS ADA and FTE counts
 - Collections from Tax Information Survey submitted through FSP system in TEASE
 - Compressed tax rate adjustments, if the district requested!
 - Transportation module data if the district submitted!
 - Staff salary data if the district submitted!
 - Advanced career and technology FTEs
 - Revised debt data

Near Final Settle Up (2015–2016)

	Legislative Payment Estimate	District Planning Estimate	Difference
Average Daily Attendance	4,945,113	4,924,588	(20,524)
WADA	6,668,676	6,670,763	2,087
M&O Tax Collections	\$21,349,705,139	\$22,009,383,161	\$659,678,022
FSP M&O State Aid	\$19,672,822,560	\$19,883,493,368	\$185,953,857

Near Final Settle Up (2015–2016)

- Negative balances were transferred to reduce earnings in current year, and positive balances were paid
 - \$318 million in negative adjustments transferred to 2016-2017
 - \$452 million payments
- Chapter 41 settle-up notifications were sent
- Recovery of overallocated funds due January 31

Final Settle Up (2015-2016)

In April the SOF will incorporate:

- final tax collections from the J-1 schedule of the AFR
- staff salary data from the FSP module in TEASE
- transportation data from the FSP module in TEASE
- be sure your data is submitted to the TEA or in “approved” status (not “saved” or “submitted to superintendent”)
 - districts that do not submit 2015–2016 data for staff salary and transportation will not receive an allotment for these programs!

Updates to 2016-2017

2016-2017 Funding Elements (LPE)

- Basic allotment and equalized wealth level are (\$5,140 and \$514,000).
- The guaranteed yield for the golden pennies is \$77.53
- Compressed tax rate (CTR) conversions (if the district requested for LPE)
- Revised Available School Fund rate (\$390.186)
- New Instructional Facilities Allotments (NIFA) for approved applications
- Attendance projections submitted by the district in October 2014

2016-2017 Summary of Finances (LPE)

Total FSP state aid: \$18.2 billion

Total ASF: \$1.9 billion

Total EDA: \$262 million

Total IFA: \$235 million

Assumptions for the 2016–2017 Summary of Finances (SOF) Reports

- LPE property values used to calculate state share of FSP are the greater of the tax year 2015 DPV value from the comptroller or the 2014 DPV value increased by 4.56%
- M&O Tax Collections for LPE are the greater of the 2015 collections * 4.56% * 6.18% or 2016 PEIMS budgeted * 6.18%
- TEC 42.253 (b) requires TEA to make payments based on the estimates used at the time of the appropriation

Updates to 2016-2017 Summary of Finances (SOF)

Next updates to SOF include:

- January/February – New IFA awards (expect payment in early February)
- February – Updated M&O tax rates
- March/April – SCE counts
- August – Chapter 313 and supplemental TIF payments
- Payments made in accordance with FSP monthly payment schedule

2016-2017 Near Final Settle Up

Next September:

- PEIMS attendance data
- Tax collections and compressed tax rate adjustments from the Tax Information Survey
- Staff Salary
- Transportation

Compressed Tax Rate Adjustments

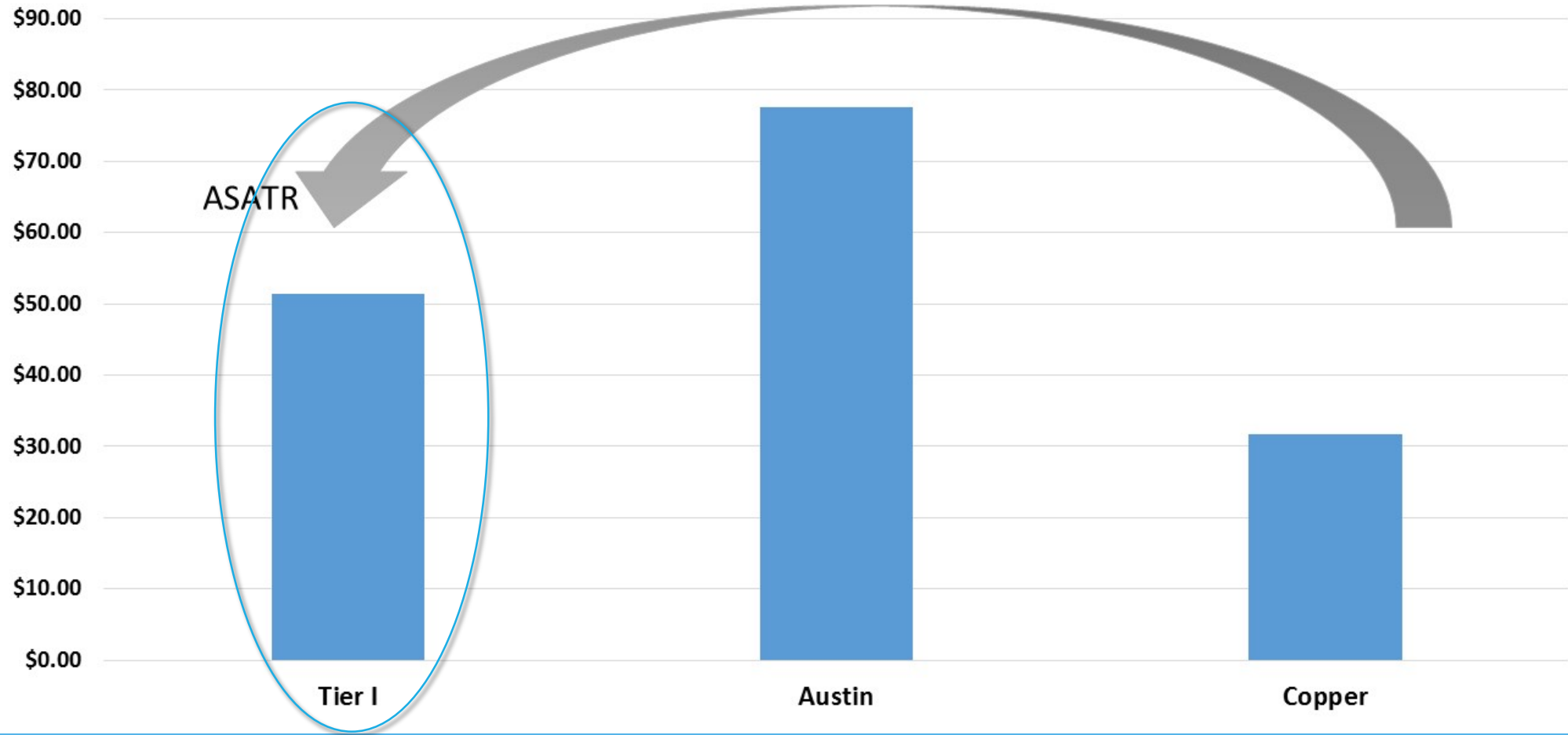
Compressed Tax Rate Adjustments

What is fractional funding?

- Basic allotment downwardly adjusted for districts with CTRs below \$1.00

State Basic Allotment	\$5,140
2006 Tax rate	\$1.35
Compressed Tax Rate	\$0.90
District Basic Allotment	\$4,626

Yield per Penny of Tax Effort in School Finance System



Compressed Tax Rate Adjustments

Does my district qualify?

- ✓ CTR must be below \$1.00
- ✓ Current-year M&O tax rate must be greater than the original CTR plus \$0.06
- ✓ Must request the conversion for 2015-2016 and 2016-2017
- ✓ Beginning in 2017-2018, conversion is automatic

Compressed Tax Rate Conversions

- Letters were required by September 1, 2016 for conversions to impact LPE in 2017
- Tax information survey will allow districts to change decision prior to near-final settle up in August of 2017
- Tax rate conversions for all eligible districts in 2017–2018

TEASE Access for the FSP System

FSP Modules

Attendance
Projections

Bond
Programs

Chapter 41

Charter
Schools

NIFA

Staff Salary

State
Compensatory
Education

Tax
Information
Survey

Transportation

TEASE Access for the FSP System

Data submitted through this system affect state aid payments and recapture requirements

The modules are set up to include multiple roles: user and approver

The TEA does not use data until it has been approved by the district approver and has been submitted to TEA

We **do not** recommend that the user and approver be the same person

We **do** recommend:

- Checking TEASE access periodically to be sure that current staff are included and staff that no longer work with the district are not included
- Making sure that major submissions are completed **and approved** on time

TEASE Deadlines

Attendance Projections: October through December of even numbered years

Transportation:

- Route Services Report: August 1
- Operations Report: December 1

Tax Information Survey: End of August

Staff Salary: August for Near Final and April for Final

Instructional Facilities Allotment

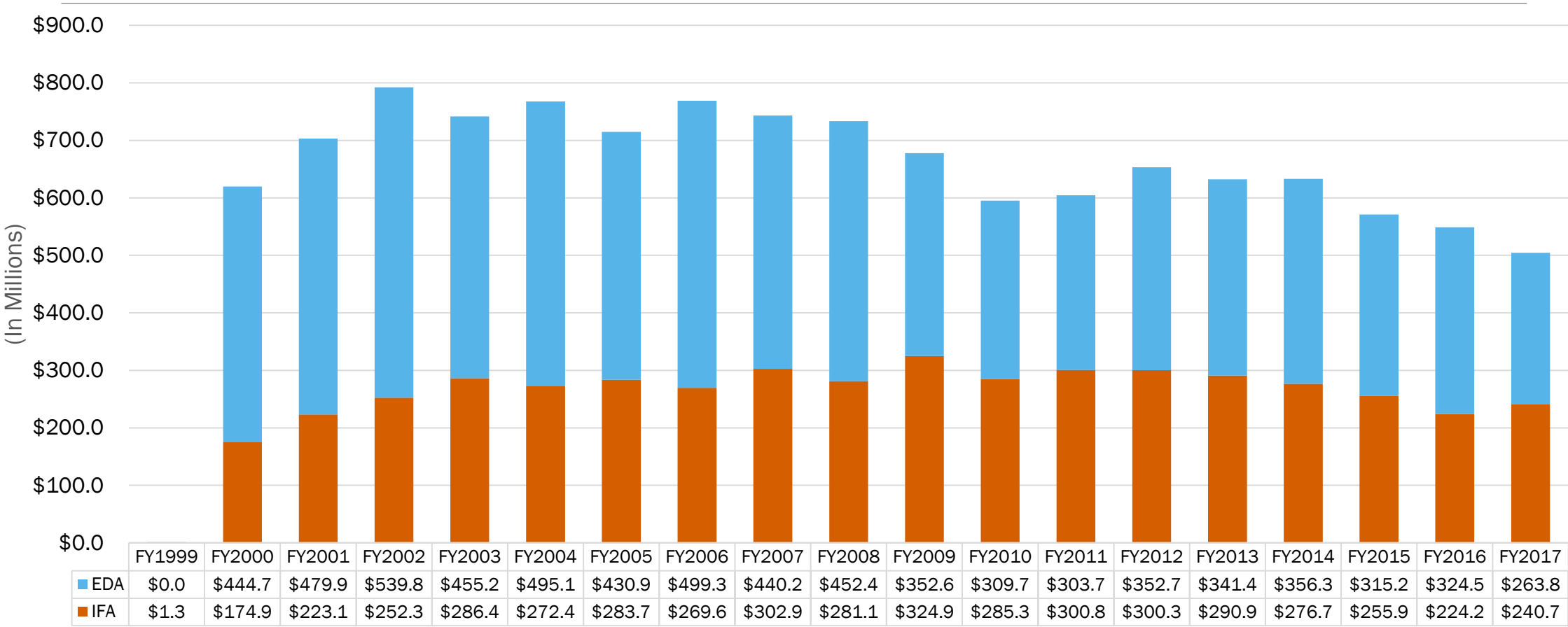
Instructional Facilities Allotment (IFA)

- ☐ The Instructional Facilities Allotment (IFA) program provides assistance to school districts in making debt service payments on qualifying bonds.
- ☐ Proceeds must be used for the construction or renovation of an instructional facility only.
- ☐ The program operates through applications (**prior to bond issuance**) and has award cycles.

New Round of IFA in 2016-2017

- ☐ New round (round 11) of IFA awards for school year 2016-2017
- ☐ \$55.5 million appropriated
- ☐ Final NOAs distributed
- ☐ Payments in February

The State has contributed over \$12 billion to public school facilities funding since the inception of IFA and EDA.



Source: Texas Education Agency, Summary of Finances

Chapter 41 Update

Chapter 41 Update

- ❖ 448 districts were preliminarily notified of Chapter 41 status
 - ❖ Districts with an EWL > \$319,500 are identified as Chapter 41 and must tell the TEA how they intend to equalize wealth
- ❖ 379 districts remained Chapter 41 after we received final values and decisions regarding whether districts charge tuition
- ❖ Total estimated recapture for 2016–2017 is \$1.8 billion
- ❖ Intent and choice selection process is now online; contracts are still paper but moving to online version for school year 2017-2018
- ❖ Not all districts that are identified as Chapter 41 owe recapture

Chapter 41 Process

- ☐ Identification mid-July
- ☐ Intent and Choice Selection Due Sept 1
- ☐ Options and Contracts Due Jan 15
- ☐ Preliminary Payment Report: Published at the end of January
 - ☐ Incorporates data estimates submitted by districts through the Chapter 41 module in the FSP system in TEASE
 - ☐ Option 3 payment schedule for payments submitted February through August

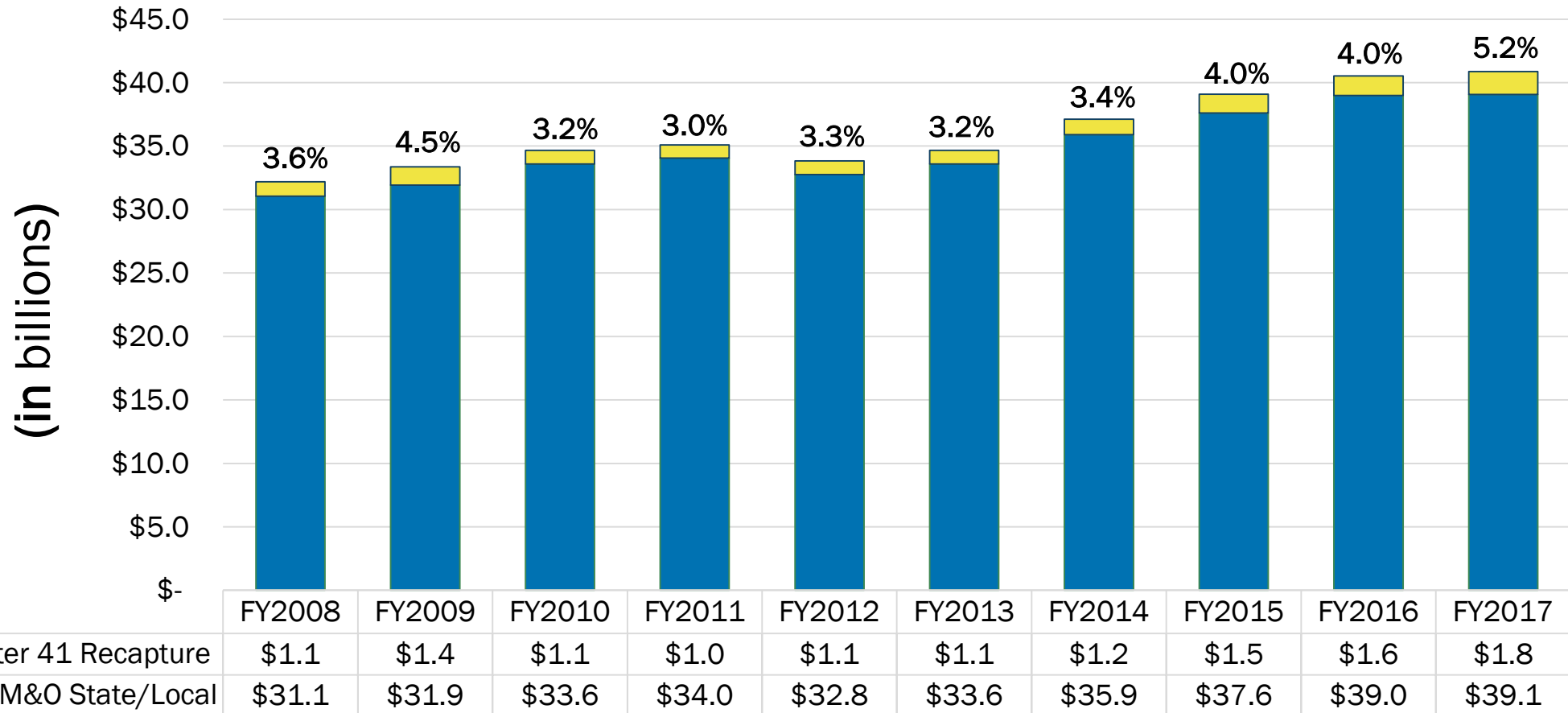
How is recapture revenue used by the State?

The most commonly chosen method of paying recapture is Option 3 (paying directly to the State).

Payments are made in seven equal installments from February through August of every fiscal year.

Funds received by the state from recapture, which are estimated to total \$1.8 billion in FY2017, are appropriated in the General Appropriations Act to pay for the Foundation School Program (FSP).

Recapture has grown as a percentage of total M&O state/local revenue since FY2008



Source: TEA Summary of Finances June 2016

Status of Additional State Aid for Tax Reduction (ASATR)

What is ASATR?

In 2006 the Legislature compressed (reduced) local M&O tax rates by 1/3.

This reduced most local M&O tax rates down from \$1.50 to \$1.00 resulting in school districts having 1/3 less local tax revenue to fund their local share.

To ensure districts did not lose funding as a result of the tax compression, the Legislature increased the basic allotment to help offset some of the loss. **In addition, the Legislature created Additional State Aid for Tax Reduction (ASATR).**

Under ASATR a “target revenue” amount per WADA was established for each school district, ensuring districts had as much funding in 2007 as they did in 2006, prior to the tax rate compression.

What is ASATR?

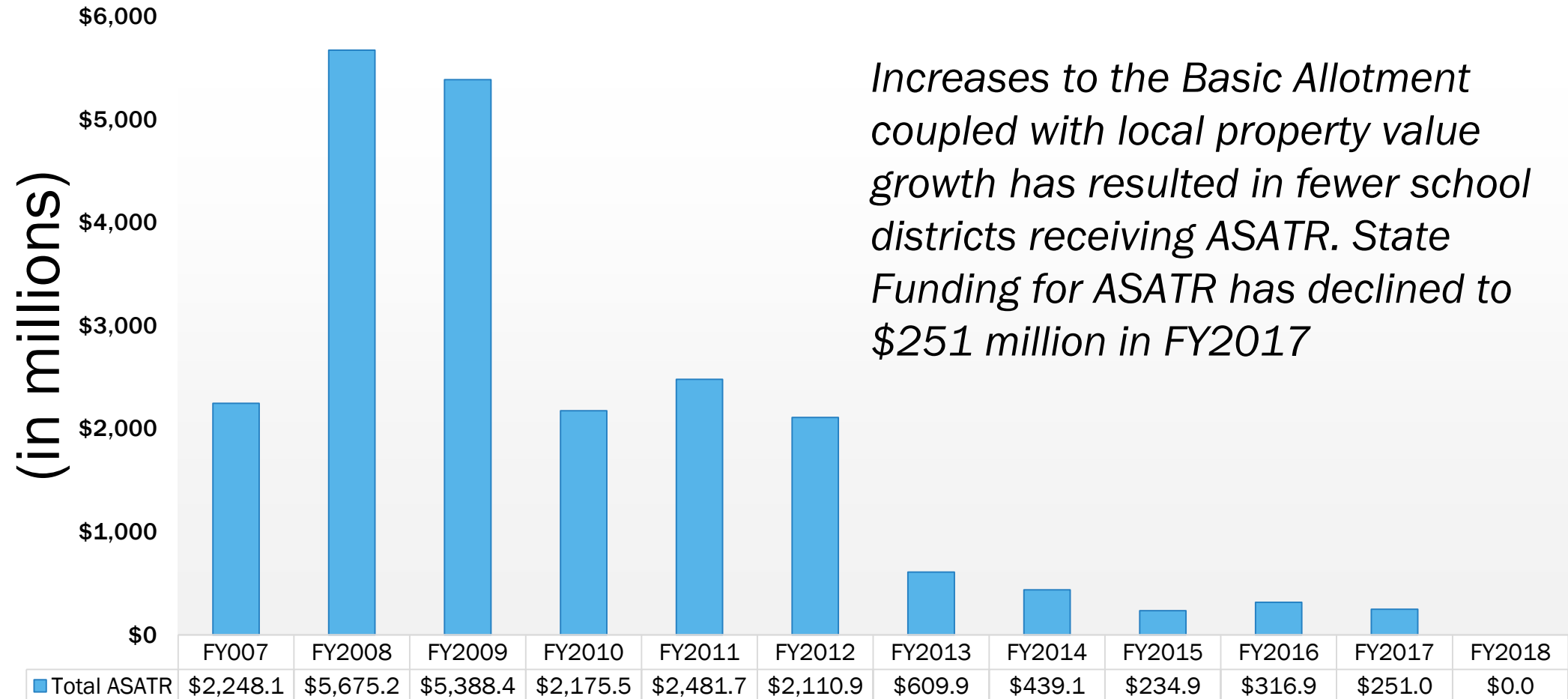
SB 1 (2011) set an expiration date for ASATR of August 31, 2017

Over time, as the basic allotment and local property values increased, school districts began receiving more money through the Tier I FSP formulas.

However, there are still approximately 180 districts receiving approximately \$251 million in ASATR for FY2017.

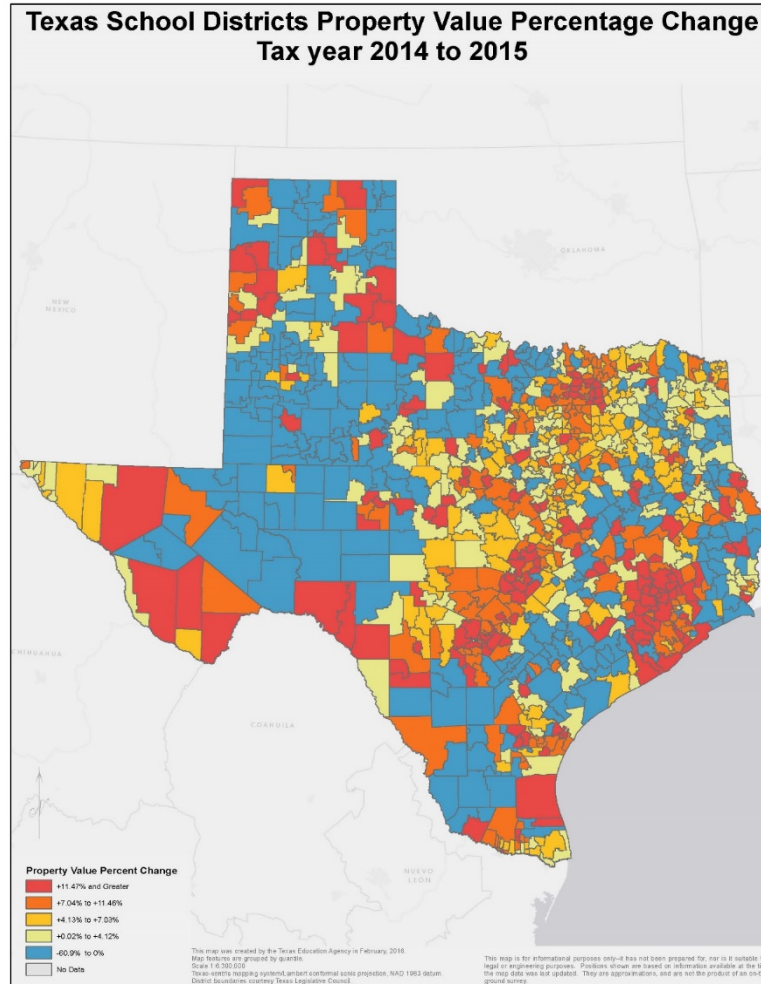
These districts that are still receiving ASATR generally have high target revenue amounts, and have more funding available than other school districts (on a per WADA basis).

The number of school districts receiving ASATR has steadily declined.



Districts with rapidly declining local taxable property values

Districts with Rapidly declining property values: a statewide perspective



■ **Districts marked in blue** have declining property values

■ **Districts marked in red and orange** still have rapidly increasing values and include the major urban areas of the state

↑ Overall the state still has increasing value

Hardships caused by decreasing values

1

Districts with declining values are disadvantaged because **the state uses prior year property values in calculating the local share of the FSP**. In these cases, prior year values don't fully reflect the decline and exaggerate the district's ability to raise local tax revenue.

2

When making payments to districts during the fiscal year, **the state is required to assume the same estimated percentage increase** in property values for all districts.

3

Districts with declining values therefore experience significant under-payments which can negatively impact cash flow and overall funding levels.

Requests for adjustments under the TEC §42.2521(a)

Although there is a provision in the TEC 42.2521(a) that provides for assistance for rapid property value decline, this provision **requires an** appropriation and a projected surplus in the FSP is also required.

In the 2016-2017 biennium, there was no appropriation for this provision in the General Appropriations Act.

Preparing for next biennium 2018-2019

2016-2017 vs. 2018-2019 Biennium – public education funds per Legislative Appropriations Request (billions)

Public Ed Funding	2016-2017 Appropriated Biennium	2018-2019 TEA Legislative Request Biennium	Dollar Change 2016-2017 vs. 2018-2019	% Change 2016-2017 vs. 2018-2019
State Formula Funding	\$42.33	\$40.25	(\$2.09)	(4.9%)
Local Formula Funding	\$53.29	\$56.65	\$3.35	6.3%
Total Formula Funding	\$95.63	\$96.90	\$1.27	1.3%
State Non-Formula Funding / Interagency Contracts & Other	\$1.92	\$1.83	(\$0.08)	(4.3%)
Federal Program Funds	\$10.14	\$10.41	\$0.27	2.7%
TEA Administration	\$0.28	\$0.28	\$0.00	1.3%
Total Public Education Spending	\$107.96	\$109.42	\$1.46	1.4%

Attendance Projections & Property Value Growth

- ❑ Attendance Projections were due Dec 2016
 - ❑ 60% submission rate
- ❑ Revised pupil projections based on district submissions and any changes to property value assumptions to be incorporated in March
- ❑ Estimated value growth is 5.85% for TY 2017 and 4.89% for TY 2018

Senate Base Budget

- ❑ Maintains 2016–2017 formula elements except for increased Austin yield
 - ❑ \$99.85 in FY 2018
 - ❑ \$106.37 in FY 2019
- ❑ \$42.4 billion is provided for state aid to school districts and charter schools through the Foundation School Program (FSP).
- ❑ Reflects a reduced GR need of \$1.5 billion
- ❑ Still early in the legislative process—stay tuned

House Base Budget

- ❑ Maintains 2016–2017 formula elements except for increased Austin yield
 - ❑ \$99.85 in FY 2018
 - ❑ \$106.37 in FY 2019
- ❑ \$43.9 billion is provided for state aid to school districts and charter schools through the Foundation School Program (FSP).
- ❑ The amount includes \$1.5 billion contingent on enactment of legislation to reform the school finance system in a manner that improves equity, reduces recapture, and increases the state share of the FSP.
- ❑ Still early in the legislative process—stay tuned

FSP Funding Elements for 2018-2019

	2017-2018	2018-2019
Basic Allotment	\$5,140	\$5,140
Tier I EWL	\$514,000	\$514,000
Tier II EWL	\$319,500	\$319,500
Austin Yield	\$99.85	\$106.37
Copper Yield	\$31.95	\$31.95

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