

State Funding Update

TEXAS EDUCATION AGENCY

OCTOBER 2017

Agenda

- TEASE Access for the FSP System
- Summary of Finances and Payment Cycle Update
 - Closing out 2016-2017
 - Updates to 2017-2018
- Property Value Growth and Decline and financial hardship grants
- Chapter 41 Wealth Equalization
- Other Legislative changes from 85th leg.

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

TEASE

TEA *had* been automatically adding all the roles district approvers (superintendents) need

We had an audit finding and this will no longer be possible

We will publish a list of all the roles and district staff will have to apply for them all

Status of Foundation School Program Payment Cycle

Closing out 2016-2017

Near Final Settle Up (2016–2017)

- Near Final summaries of finance (SOF) for the 2016–2017 school year were published 09/08. These incorporated:
 - ADA and FTE counts from summer PEIMS
 - Tax Collections estimates from the Tax collection
 - Transportation module data
 - *Districts which have not submitted will have until final settle-up in April before allotments are zeroed out*
 - Staff salary data for districts who did not submit at near-final
 - *Districts which have not submitted will have until final settle-up in April before allotments are zeroed out*
 - IFA and EDA near final will be run in October

Near Final settle-Up

\$428 million in negative adjustments were rolled to 2018

\$575 million in Payments will be made late September

LPE ADA 5.02 million DPE 4.974 => 45,000 ADA down

Special ED., CTE, Bilingual all increased

WADA only 18,000 down

ASATR \$415 million

Updates to 2017-2018

2017-2018 Funding Elements (LPE)

- Basic allotment and equalized wealth level are (\$5,140 and \$514,000).
- The guaranteed yield for the golden pennies is \$99.41
- Revised Available School Fund rate (\$260.566)
- New Instructional Facilities Allotments (NIFA) for approved applications
- M&O tax Collections are 2016 PEIMS budgeted increased 7.04%
- Attendance projections submitted by the district in October 2016

Compressed Tax Rate Adjustments

Apply tax effort above compressed tax rate + .06 to tier I instead of tier II level II

Are automatic from 2018 onward

2017-2018 Summary of Finances (LPE)

Total FSP state aid: \$19.2 billion

Total ASF: \$1.0 billion

Total EDA: \$219 million

Total IFA: \$190 million

Total Recapture \$2.1 billion

Updates to 2017-2018 Summary of Finances (SOF)

Updates to SOF will include:

- February – Updated M&O tax rates from self report
- March – Updated DPE with PEIMS fall enrollment data and budgeted tax collections
- April – SCE counts
- June-August – Chapter 313 and supplemental TIF payments

Property Value Decline and Hardship Grants

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.

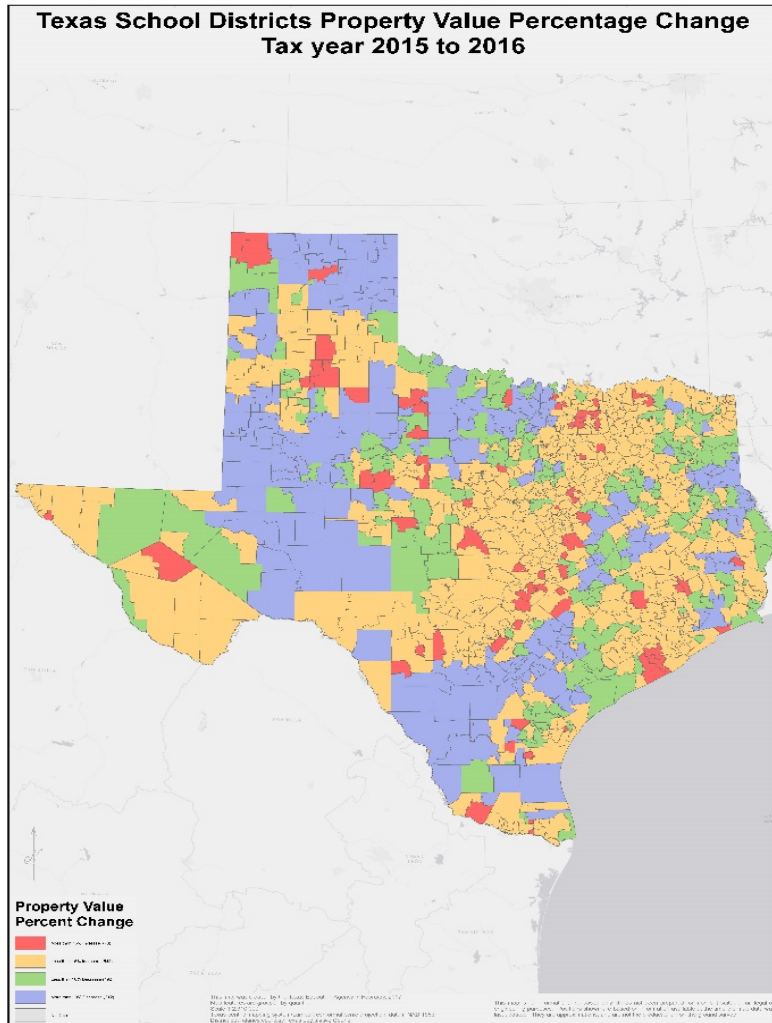
2

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.

Districts with Rapidly declining property values: a statewide perspective



 Districts marked in purple have declining property values
 Green is slowly declining

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



Overall the state still has increasing value

Property Value Decline adjustments

There is a provision in the TEC 42.2521(a) that provides for assistance for rapid property value decline, this provision **requires an appropriation**

For the 2017-2018 biennium, the legislature appropriated \$50 million for fiscal year 2018 and \$25 million for fiscal 2019

Adjustment for rapid property value decline

2018 \$50 million appropriated for value decline in excess of 4%

For fiscal 2018 The decline addressed is from TY 2015 -> TY 2016 on 2017 SOF

All eligible districts had their property values adjusted, the SOFs rerun and a prorated amount added to “other programs detail report”.

Financial Hardship Grants

Compare 2018 current law (\$99.41 tier II, level I and no ASATR) to 2018 prior law (\$77.53 tier II level I and ASATR)

\$155 million in total losses

\$100 million available in 2018

LPE estimates used, payments made in October

Districts cannot get both Hardship and decline. TEA made best choice.

Chapter 41 Update

2018 Chapter 41 Update

- ❖ 427 districts were 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
- ❖ Final Chapter 41 designations will be made after we receive final values and decisions regarding whether districts charge tuition
- ❖ Total estimated recapture for 2017–2018 is \$2.1 billion
- ❖ Intent and choice selection and contract process is now online
- ❖ Not all districts that are identified as Chapter 41 owe recapture

Chapter 41 Process

- Final notification 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 \$2.07 billion in FY2018, are appropriated in the General Appropriations Act to pay for the Foundation School Program (FSP).

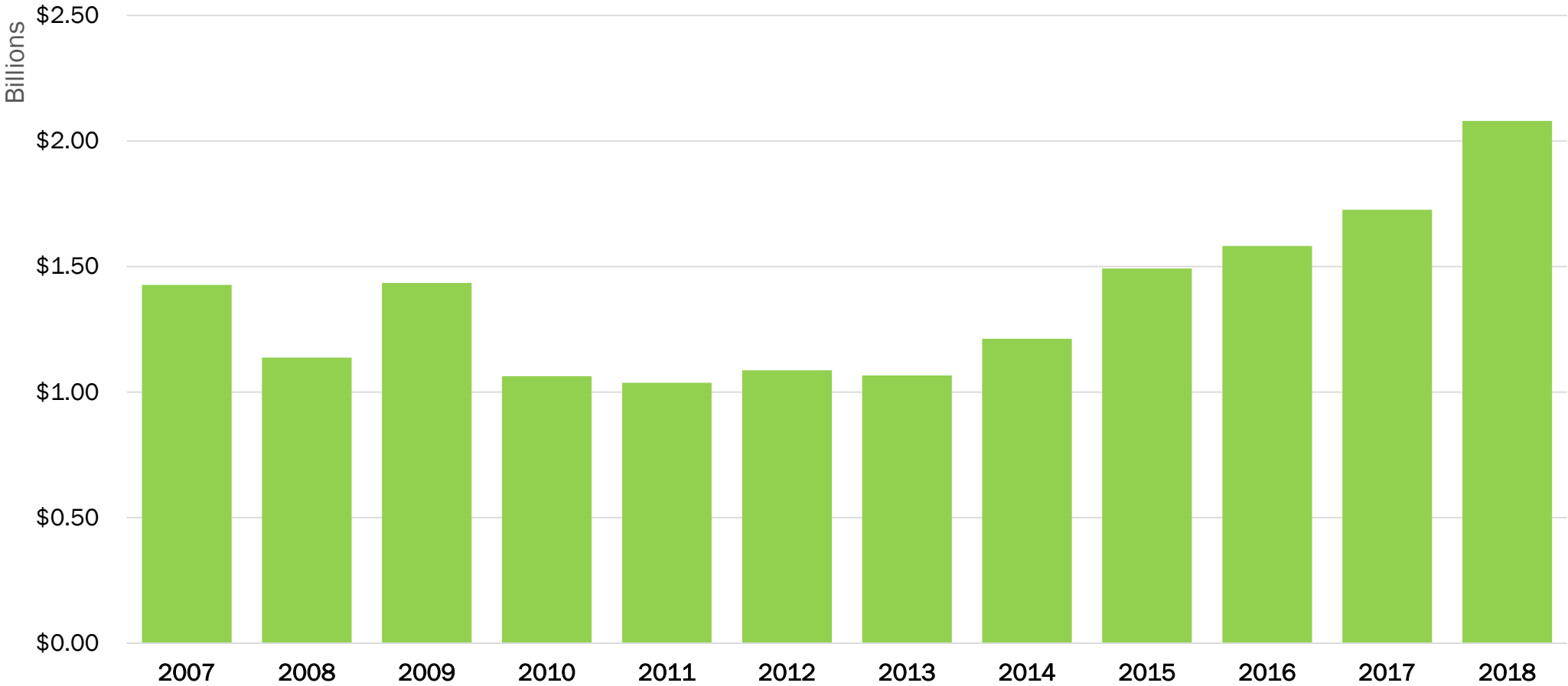
TEXAS EDUCATION AGENCY



	For the Years Ending	
	August 31, 2018	August 31, 2019
Method of Financing:		
<u>General Revenue Fund</u>		
General Revenue Fund	\$ 151,626,205	\$ 149,626,204
Available School Fund No. 002, estimated	1,177,006,486	2,266,943,046
Instructional Materials Fund No. 003	1,091,110,514	12,270,954
Foundation School Fund No. 193, estimated	15,255,570,375	13,487,733,815
Certification and Assessment Fees (General Revenue Fund)	28,063,223	28,063,223
Lottery Proceeds, estimated	1,297,000,000	1,316,500,000
Subtotal, General Revenue Fund	<u>\$ 19,000,376,803</u>	<u>\$ 17,261,137,242</u>
 <u>Federal Funds</u>		
Federal Education Fund No. 148	3,052,829,313	3,052,165,705
School Nutrition Programs Fund No. 171	2,138,050,035	2,205,515,935
Federal Funds	9,324,218	9,324,218
Subtotal, Federal Funds	<u>\$ 5,200,203,566</u>	<u>\$ 5,267,005,858</u>
 <u>Other Funds</u>		
Permanent School Fund No. 044	30,368,909	30,368,909
Property Tax Relief Fund, estimated	1,742,200,000	1,852,000,000
Economic Stabilization Fund	25,000,000	0
Appropriated Receipts, estimated	2,049,900,000	2,521,000,000
Interagency Contracts	12,442,085	12,442,084
License Plate Trust Fund Account No. 0802	242,000	242,000
Subtotal, Other Funds	<u>\$ 3,860,152,994</u>	<u>\$ 4,416,052,993</u>
Total, Method of Financing	<u>\$ 28,060,733,363</u>	<u>\$ 26,944,196,093</u>

All unexpended balances and all funds received from the payment of school districts for attendance credits in excess of the amounts appropriated above pursuant to the provisions of §41.094 of the Texas Education Code, are hereby appropriated to the Texas Education Agency for distribution to school districts for Foundation School Program purposes.

Recapture 2007-2018



Other Legislative Changes

House Bill 21

\$100 million hardship grants in 2018, \$50 million in 2019

Dyslexia and Autism grants for selected LEAs (10 selected for each grant). \$10 million for each grant for each year

2019 EDA increase for school districts \$37.30 (\$60 million)

EDA for charter schools \$200 per ADA (\$60 million)

HB21

All small districts funded on 300 square mile factor (5 year phase in beginning in 2019)

Year	Small district adjustment Factor
2019	.000275
2020	.0003
2021	.000325
2022	.00035
2023	.0004

HB21 Commission on public school finance

Commission on Public school finance

Recommendations:

- Appropriate levels of local funding
- Purpose of the system
- Policy changes to adjust for student demographics and geographic diversity

Report due Dec 31 2018

Other school finance legislation

SB195 High risk of violence hazardous mileage and walking routes for transportation

SB1882 District charter campuses funded like they are charter schools

SB3593 technology applications courses in cybersecurity eligible for CTE funding

HB1081 NIFA – \$1,000 per ADA. Re-purposed and leased facilities eligible

Other school finance legislation

SB1480

Increases BGP capacity for charter schools

Increased by 20% each year – will be +/- 2 Billion ?

Guaranteed bonds are not subtracted from capacity

Security interest to the state for any guaranteed properties

Increased contribution to charter school bond reserve fund

Hurricane Harvey Adjustments

TAA letter October 9th

Districts and charter schools losing ADA as a result of Hurricane Harvey will be held harmless to their 3 year average attendance projection at near final

Eligibility:

The school district or charter school has had damage to at least one campus which has resulted in a disruption of instruction lasting 2 or more weeks, **OR**

The school district or charter school had instructional facilities that were closed for the 9 or 10 hurricane related waiver days, and

The school district or charter school must complete the Governor's Commission to Rebuild Texas Worksheet by October 27, 2017.

Contact Information

Al McKenzie

Director, State Funding

Al.McKenzie@tea.texas.gov

(512) 463-9186