

July 9, 2018

TO THE ADMINISTRATOR ADDRESSED:

Subject: 2018-2019 Preliminary *Summary of Finances*

A Preliminary *Summary of Finances* (SOF) report for the 2018–2019 school year is available at the Texas Education Agency (TEA) [School District State Aid Reports](#) web page. This letter explains the changes to funding formulas authorized with the passage of Senate Bill 1, House Bill 21, House Bill 1081, Senate Bill 1882 and Senate Bill 195, 85th Texas Legislature, 2017, Regular and 1st Called Sessions, and provides information on the data we used in this SOF. Generally, formula funding elements for 2018–2019 remain the same as 2017–2018 with the following exceptions:

- an increase to the guaranteed yield for Tier II Level 1 (from \$99.41 to \$106.28);
- an increase to the existing debt allotment (EDA) guaranteed yield from \$35 to \$37;
- an increase to the small-sized district adjustment factor for districts with less than 300 square miles from 0.00025 to 0.000275; and
- a preliminary per capita rate of \$447.180.

The following paragraphs provide information about the format and data we used in the 2018–2019 SOF report, including planned updates.

LPE vs. DPE: The SOF report contains two columns. The legislative payment estimate is in the column labeled “LPE.” This column includes the property values and student counts that the legislature used during the appropriations process, and these figures form the basis of the Foundation School Program (FSP) payments that your school district or charter school receives throughout the state fiscal year. The district/charter school planning estimate is in the column labeled “DPE.” This column is updated periodically throughout the fiscal year as data are reported to us. This column is intended to provide your district or charter school with a more accurate indication of its actual FSP earnings for the fiscal year. After the close of the fiscal year, the DPE column will be updated to reflect actual data, and we will determine final earnings for the fiscal year. There will be a “settle-up” process to correct any overpayments or underpayments that occurred during the fiscal year. We urge your district or charter school to monitor the differences between its FSP payments and its actual earnings by using a state aid template.

2018–2019 State Aid Template: Links to the 2018–2019 state aid templates developed by the TEA and the Region XIII Education Service Center are available under “Resources” on the [FSP](#) web page.

Charter Schools: A 2018–2019 Estimate of State Aid Template will be made available on the [Charter School Finance](#) webpage by July 1, 2018.

As always, we strongly advise your school district or charter school to project state aid based on the best available information. Your district or charter school should complete a 2018–2019 state aid template or an equivalent state aid estimation process. The greatest value of the SOF is in explaining the basis of cash distributions to districts and charter schools. Estimates of state aid earned can be significantly impacted by factors not known to the State Funding Division.

Payment Class: A school district's schedule of payments is determined by statutory criteria that are based on which payment class the district falls into. There are three payment classes defined in statute that are based on wealth per pupil.

- Districts in payment class 1 have property wealth per pupil that is less than half the statewide average.
- Districts in payment class 2 have property wealth per pupil that is between half the statewide average and the statewide average.
- Districts in payment class 3 have property wealth per pupil that is greater than the statewide average.

Your district's payment class can be found at the top of your SOF. Payment classes are calculated semi-annually after the TEA receives state-certified property values from the Comptroller's PTAD division. Your district's payment class has been updated using *preliminary* state-certified property values from the Comptroller's PTAD division on its most recent 2018–2019 SOF. After the TEA receives *final* state-certified property values from the Comptroller's PTAD division in August 2018, your district's payment class will be updated on its most recent 2018–2019 SOF, and a spreadsheet showing payment class will be posted to the [TEA website](#) under resources. Payments for school year 2018–2019 will be based on the *final* state-certified property values from the Comptroller's PTAD division.

Charter Schools: Most charter schools' schedules of payments are divided into 12 equal monthly payments. House Bill 2251, 84th Texas Legislature, 2015, provided charter schools that have experienced a growth in enrollment of 10% or more with the option of an accelerated FSP payment schedule for three school years. Charter schools whose accelerated payment classes are up for review at the end of the 2017-2018 school year will be evaluated using their 2017 and 2018 enrollment to determine if the accelerated payment classes will be extended for three more years or if the charter schools will need to apply to re-establish eligibility. Charter schools will be notified via e-mail if their accelerated payment class has been extended or if an application will be required. Requests for accelerated payment schedules are due September 1 and should be submitted through the charter module of the FSP system in TEASE.

Student Counts: All student counts (ADA, full-time equivalents (FTEs), and enrollment counts) shown in the LPE and DPE columns are based on the March 2017 attendance projections that were submitted and approved during the appropriations process. Please note that the payments made to your school district during the year are based on the estimated student counts shown in the LPE column. We adjust the student counts in the DPE column when the fall 2018 Public Education Information Management System (PEIMS) enrollment data become available in March 2019. These are adjusted again in September 2019 with final attendance data. We will use the September 2018 student counts in the DPE column to recalculate funding for year-end settle up. Your district's budget should be based on the student enrollment and program participation that are expected to occur during the year. Your district should carefully monitor its state aid payments during the year as they may differ from actual earnings at year end and create an overpayment or underpayment.

Charter Schools: Initial estimates are based on the March 2017 attendance projections that were submitted and approved during the appropriations process. In June, estimates from school year 2017–2018 are incorporated. Revised estimates, if submitted, are incorporated in September for payment purposes. Because charter school attendance is less stable than school district attendance, charter school attendance information is updated in both the LPE and DPE columns of the SOF report throughout the school year based on 6-week ADA submitted through the FSP System. Your charter school's current-year FSP payments are adjusted accordingly throughout the year.

2017 State-Certified Property Value: The state-certified property value used in the DPE column of this SOF is the preliminary 2017 property value assigned by the Texas Comptroller's Property Tax Assistance Division (PTAD). For the LPE column the TEA is required to use the greater of the 2017 comptroller value or the 2016 value increased by 7.04%. This matches the assumptions used in the appropriations process for the current biennium. Final 2017 property values will ultimately be used for all districts in September 2019 for near-final settle up.

2018 Tax Year Estimated M&O Tax Collections: To estimate the maintenance and operations (M&O) tax collection amounts that appear in both the LPE and DPE columns, the TEA used the greater of either the 2017-2018 LPE M&O tax collections or the 2017–2018 DPE M&O tax collections and then increased that number by 6.77%. (This was the growth factor used in the appropriations process for the current biennium.) After near-final settle up is processed in September 2019, the DPE column will reflect tax collections submitted through the tax information survey. Unless your school district has successfully completed a tax rollback election (TRE) and changed its M&O tax rate, the LPE column will not be updated again until the near-final settle up for the 2018–2019 school year occurs. If your district had a successful TRE, we will adjust your district's LPE M&O tax collections once data from the Texas Comptroller's self-report are available in late January 2019.

Charter Schools: The estimated M&O tax collections used for school districts have been used to determine the statewide average variables for charter schools.

2018 Tax Year Estimated I&S Tax Collections: For this preliminary SOF, the 2018–2019 interest and sinking fund (I&S) tax collections figure is based on your district's 2017–2018 budgeted I&S collections submitted to the PEIMS. These collections will be updated in fall 2019 with I&S collections submitted through the tax information survey.

Small District Adjustment: House Bill 21, 85th Legislature, 1st Called Session, modified the small-sized district adjustment under the TEC, §42.103. In school year 2018-2019, the basic allotment of a school district that contains less than 300 square miles and has not more than 1,600 students in average daily attendance (ADA) is adjusted by a factor of 0.000275. This represents an increase from the previous factor of 0.00025.

Adjustment to Compressed Tax Rate for Certain School Districts: The 84th Legislature amended Texas Education Code (TEC), §42.101, to allow for the adjustment of compressed tax rates (CTR) for school districts that had 2005 maintenance and operations (M&O) tax rates below the maximum allowed M&O tax rate of \$1.50 per \$100 of valuation. For the 2018-2019 school year adjustments to the CTR are automatically being applied (if applicable) in your district's SOF. No further action is necessary for districts to receive an adjustment to the CTR.

Additional Homestead Exemption Hold Harmless: Senate Bill 1 of the 84th legislature provided for an additional \$10,000 homestead exemption. The state aid to compensate districts for this under the TEC, Chapter 42 is largely flowing through the formulas based on lower property values. The hold-harmless provision requires the agency to compare state and local revenue based on the 2016 funding formulas using the smaller \$15,000 homestead exemption property values to the state and local revenue using the \$25,000 homestead exemption property values and 2019 funding elements. The increase in the guarantee level for Tier II, Level 1 has largely eliminated the hold harmless funding.

Per Capita Rate: A rate of \$447.180 multiplied by the prior-year ADA is used to estimate the per capita allotment. The rate is subject to change during the fiscal year.

Financial Hardship Grants: House Bill 21, 85th Legislature, 1st Called Session, established a Financial Hardship Transition Program under TEC, §42.451 (“Hardship Grants”). \$50 million was appropriated for this purpose in school year 2018–2019. The TEA will determine eligibility and calculate the Hardship Grant amounts in the fall of 2018. All eligible districts under the legislation will receive a grant award. Therefore, districts do not need to apply to TEA to receive a grant. The Agency does not currently have a list of districts eligible for the grants. The TEA will release a To the Administrator Addressed (TAA) letter in early fall with more information. TEA currently anticipates being able to award grants by no later than October 2018.

Rapid Property Value Decline: Senate Bill 1, General Appropriations Act, 85th Legislature, Regular Session, appropriated \$25 million in the 2018–2019 school to assist districts that experience a rapid decline in their tax base of more than four percent. The calculation detail for the District Property Value (DPV) Decline Adjustments will be found on the 2017–2018 Summary of Finances under the new detail report entitled Additional State Aid for Property Value Decline after near-final settle up calculations are performed in September 2018. These adjustments are for property value declines that occurred from the 2016 to 2017 tax years. All districts eligible for funding under this statute will receive a payment in the amount of the DPV Decline Adjustment in September 2018. Therefore, districts do not need to apply to TEA to receive the payment.

Transportation and Staff Salary Allotments: These allotments are based on your school district’s estimated 2017–2018 allotments.

Transportation Hazardous Traffic and High Risk of Violence Areas: Senate Bill 195, 85th Texas Legislature expands hazardous funding to include areas within two miles that are at high risk for violence. Districts will also be eligible for transportation funding for community walking transportation programs if students walk to and from school in certain hazardous areas. Districts are required to adopt a board policy that defines areas at high risk for violence, to consult with local law enforcement agencies to identify such areas and to obtain documentation that supports a high incidence of violent crimes. If the district will be establishing community walking transportation programs, the policy must indicate that an adult will supervise children as they walk to school. Funding for students that are bussed is calculated by multiplying the hazardous and at risk mileage by your district’s per-mile rate for regular route services. Funding for high risk for violence walking areas is calculated by multiplying the district’s total eligible walking mileage by \$1.08, which is the maximum rate used for special education route services

New Instructional Facilities Allotment (NIFA): House Bill 1081, 85th Texas Legislature, increased the amount the NIFA program can provide up to \$1,000 per student in average daily attendance (ADA) in an eligible new campus in the first year of operation and up to \$1,000 per each additional ADA in the second year of operation to help with any start-up costs associated with opening a new campus. The definition for a new instructional facility has been expanded to include a repurposed instructional facility or a leased facility operating for the first time as an instructional facility with a minimum lease term of not less than 10 years. The bill provides for a statewide total of \$23.75 million in the 2018–2019 school year; therefore, the amount provided per student will depend upon the total amount of NIFA applications approved. Districts are required to submit applications to the FSP subsystem of the Texas Education Agency Login ([TEAL](#)). The deadline to submit applications this year is September 17. Program information can be found on the [NIFA](#) web page.

Charter School Facility Funding: House Bill (HB) 21 (85th Legislature, 1st Called Session) created a new allotment per average daily attendance (ADA) under 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 total amount of funding available will be limited to \$60 million. Charter schools do not need to apply to the TEA to receive the funding.

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. A minimum academic rating of acceptable is required to receive charter school facility funding based on the “most recent overall performance rating.” Initial funding estimates in the 2018–2019 SOF are based on the total amount of funding available. 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 FSP 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.

Additional State Aid for School Districts that Contract to Partner to Operate a District

Campus: Senate Bill 1882, 85th Legislature, Regular Session, authorized additional state aid under the TEC, §42.2511 for districts to enter into contracts to partner with an open-enrollment charter school or other eligible entity to operate a district campus. For each partnered campus that meets eligibility requirements the district is entitled to receive for each student in average daily attendance at the campus the greater of either the amount of state funding to which the district would be entitled or the amount of state funding to which an open-enrollment charter school would be entitled. The 2018–2019 State Aid Template may be used to estimate the additional funding. For payment purposes, the additional state aid for school year 2018–2019 for school districts that contract to partner to operate a district campus will flow through “Other Programs” on the SOF. A detail report will be added to the “Other Programs Detail Report” on the 2018–2019 SOF in spring of 2019.

Existing Debt Allotment and Instructional Facilities Allotment (IFA): If your district qualifies for the EDA or the IFA, the preliminary allotment based on 2017–2018 data appears on line 49 (EDA) or line 50 (IFA) of the SOF. House Bill 21, 85th Legislature, 1st Called Session, increased the guaranteed yield (GY) from \$35 to \$37 in school year 2018–2019. The appropriation was limited to \$60 million dollars, so the GY will be revised in September 2018 for payment purposes and then again at near-final settle up in September 2019 based on final refined ADA.

The preliminary SOF does not yet include data regarding district debt for the 2018–2019 school year. These allotments will be updated later this fall with data from the Municipal Advisory Council (MAC) on bond payments for the 2018–2019 school year, and payment details will be made available at that time. Program information can be found on the [EDA](#) web page and the [IFA](#) web page. Please be aware that allotments under these programs will be reduced if I&S tax collections plus any remaining balance of unequalized collections are insufficient to meet districts’ local share requirements under the programs.

Additional State Aid for Homestead Exemption (ASAHE) for facilities: The ASAHE for facilities allotment compensates districts for I&S tax collections lost due to the increase to the state mandated homestead exemption from \$15,000 to \$25,000. This allotment ensures that districts will have the

revenue necessary to make payments on eligible bonds. Preliminary allotments will be updated in fall 2018.

If you have any questions about the SOF report, please contact a state funding consultant at (512) 463-9238. Additional contact information appears at the end of this letter.

Sincerely,

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Director of State Funding

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