

Hurricane Harvey School Finance Issues Monday, October 2, 2017

A	B	C	D	E	
Issue/Response	Current Action/Next Steps	FY 2018 Estimated Costs**	FY 2019 Estimated Costs**	Biennial Total Est. Cost**	Legal Authority
<p>1</p> <p>Increased enrollment due to student displacement in the 2017–2018 school year</p> <p>Is this currently a legally required cost to the state? Yes.</p> <p>Issue: Many districts have newly enrolled students displaced from their home districts because of Hurricane Harvey. TEA does not normally increase Foundation School Program (FSP formula) funding to districts during the school year when there are increases in student enrollment. Instead, FSP formula increases due to enrollment changes are made during the FSP settle-up process occurring in September of 2018 (FY 2019) following the school year.</p> <p>Solution: Districts can receive an increase in their state aid <i>during</i> the 2017–2018 school year if they have increased ADA and apply to TEA. To date, three districts have applied for adjustments, with a total of 930 students in average daily attendance (ADA).</p>	<p>TEA issued guidance to school districts.</p> <p>Beginning with their October 2017 FSP formula payment, TEA will increase the amount of state aid to districts that have (1) additional ADA and (2) submit an application to TEA.</p>	<p>\$380 million</p> <p>Costs will be shifted from FY 2019 to FY 2018. This shifting is cost neutral for the biennium because the state is legally obligated to fund the FSP formulas for students at the districts they actually attend. TEA is just shifting the costs from FY 2019 (September 2018 settle-up) to FY 2018.</p>	<p>-\$380 million cost reduction</p> <p>These existing costs will be shifted from FY 2019 to FY 2018.</p> <p>Note: There may be additional costs to the state for increased students in FY 2019.</p>	<p>\$0</p>	<p>TEC §42.005(d). AVERAGE DAILY ATTENDANCE</p>
<p>2</p> <p>Loss of funding due to student enrollment decline during the 2017–2018 school year</p> <p>Is this currently a legally required cost to the state? No.</p> <p>Issue: School districts and charter schools with enrollment losses during the 2017–2018 school year will have lower average daily attendance. ADA is a major component in determining FSP formula funds as Texas provides funding on a per ADA basis. As a result, a loss of ADA in the 2017–2018 school year would normally result in the following:</p>	<p>TEA issued guidance to school districts.</p> <p>Consistent with current practice, TEA will continue to make full FSP formula payments to all school districts (and requesting charter schools), regardless of a student enrollment decline. This prevents any immediate loss of state funding during the 2017–2018 school year.</p>	<p>\$0</p>	<p>\$400 million based on mid-range best estimate</p> <p>Composed of:</p> <p>\$150 million forgone recapture collections to State Treasury (this is not state aid payment or currently anticipated in state budget).</p> <p>\$250 million state aid to school districts during</p>	<p>\$400 million</p>	<p>TEC §42.005(d). AVERAGE DAILY ATTENDANCE</p>

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<p>1. For Chapter 42 districts, a loss of FSP funds in September 2018 (FY 2019) during FSP settle-up.</p> <p>2. For Chapter 41 districts, an increase in recapture. The timing of recapture payments depends on when ADA data is received by TEA.</p> <p>In anticipation of this loss of FSP funding during settle-up, school districts might reduce costs through personal reductions during the 2017-18 school year.</p> <p>TEA Proposal: TEA is considering how to mitigate the FSP funding loss and/or reduce recapture by holding districts <i>fully or partially harmless</i> for their loss of ADA. This will encourage districts to avoid reducing school personnel throughout the 2017–2018 school year.</p>	<p>TEA is considering methods to hold districts <i>fully or partially harmless</i> for their 2017–2018 school year loss of enrollment during the September 2018 (FY 2019) FSP settle-up process.</p> <p>TEA anticipates announcing a decision on the hold harmless to districts very soon.</p>		<p>September 2018 (FY2019) FSP settle-up.</p> <p>TEA would have to request a supplemental appropriation for the state aid portion during the 86th Texas Legislature.</p>		
<p>3a Loss of local property tax revenue (local share) during the 2017–2018 school year</p> <p>Is this currently a legally required cost to the state? No.</p> <p>Issue: School districts may experience losses in local property tax revenue during the 2017–2018 school year due to property reappraisals, which would decrease property values. Additionally, collections could be delayed. TEA would not normally recognize this loss of local property tax revenue or increase FSP formula state aid.</p> <p>TEA Proposal: Collect information from school districts about tax collection losses and potentially borrow money from FY 2019 to provide state aid to school districts during the 2017–2018 school year to make up for lost local property tax revenue. Note: TEA has reports of property value loss exceeding 50 percent in districts most affected by Hurricane Harvey. Previous experience (Hurricane Ike) indicates that property value and local tax revenue will rebound quickly in most communities.</p>	<p>TEA issued guidance to school districts.</p> <p>In December of 2017, TEA will collect data from districts to develop a projection of lost property tax revenue during the 2017–2018 school year and reappraisal efforts. TEA would then provide analysis to the Legislature in February 2018.</p> <p>Thereafter, TEA could provide additional state aid to replace lost local property tax revenue. This action would potentially require the TEA to borrow funds from FY 2019 and bring them to FY 2018.</p>	<p>TBD – Estimate Anticipated February 2018</p> <p>TEA could potentially borrow money from FY 2019 to provide state aid to school districts during the 2017–2018 school year. If done, TEA would request a supplemental appropriate during the 86th legislative session.</p>	<p>\$0</p>	<p>TBD</p>	<p>TEC §42.2523. ADJUSTMENT FOR PROPERTY VALUE AFFECTED BY STATE OF DISASTER.</p>

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3b	<p>Loss of local property tax revenue (local share) for the 2018-2019 school year</p> <p>Is this currently a legally required cost to the state?</p> <ol style="list-style-type: none"> Reappraised Property: Yes. If FY 2017 tax year property is reappraised, TEA is required to provide FSP formula state aid to make up for local property tax revenue losses in the 2018-2019 school year. Un-Reappraised Property: No. If FY 2017 property is not reappraised, then there is no state obligation. However, the state could consider additional funding for local property value loss in a supplemental appropriation. <p>Issue: Reappraised Property: Beginning with the 2018–2019 school year, the state is legally obligated to “make-up” state aid (state share) for any reported loss of local property tax revenue on reappraised tax year 2017 property. Un-reappraised Property: There is no current state obligation. The Legislature could provide additional funding to mitigate property tax revenue loss in a supplemental appropriation.</p>	<p>TEA will collect data from districts to develop a projection of lost property tax revenue during the 2017–2018 school year and reappraisal efforts. TEA would then provide analysis to the Legislature in February 2018.</p>	<p>\$0</p>	<p>TBD. Estimate anticipated February 2018 (could be very significant state cost depending on number of reappraisals).</p> <p>Reappraised Property: If FY 2017 tax year property is reappraised, TEA is required to provide FSP formula state aid to make up for local property tax revenue losses in 2018-2019 school year.</p> <p>Un-reappraised Property: There is no current state obligation. The Legislature could provide additional funding to mitigate property tax revenue loss in a supplemental appropriation.</p>	<p>TBD</p>	<p>TEC §42.2523. ADJUSTMENT FOR PROPERTY VALUE AFFECTED BY STATE OF DISASTER.</p>
4a	<p>Facilities damage: Chapter 41 districts</p> <p>Is this currently a legally required cost to the state? Yes. In forgone recapture funding to the State Treasury.</p> <p>Issue: Chapter 41 school districts have significant property damage. These districts can already apply for a reduction/elimination in their recapture costs for the 2017–2018 and 2018–2019 school years for any facility damage costs <i>not</i> covered by insurance or FEMA. Importantly, however, districts cannot recover <i>more than their recapture payments</i> (see issue #5 below).</p> <p>Solution: Chapter 41 districts with eligible remediation costs can offset recapture payments by applying to TEA in the 2017–2018 and 2018–2019 school years.</p>	<p>Chapter 41 districts can apply to TEA for disaster aid assistance to reduce their recapture payments for the 2017–2018 and 2018–2019 school years.</p> <p>The application is available on the TEA website.</p>	<p>\$474 million (max cost)</p> <p>Loss of budgeted recapture to State Treasury.</p> <p>Note: Based on preliminary information, TEA has learned that FEMA may cover up to 90 percent of uninsured loss, leaving districts with at least a 10 percent uninsured and uncovered loss.</p>	<p>\$500 million (max cost)</p> <p>Loss of budgeted recapture to State Treasury.</p> <p>Note: Based on preliminary information, TEA has learned that FEMA may cover up to 90 percent of uninsured loss, leaving districts with at least a 10 percent uninsured and uncovered loss.</p>	<p>\$974 million (max cost)</p>	<p>TEC §41.0931 DISASTER REMEDIATION COSTS.</p>

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4b	<p>Facilities damage: Chapter 42 districts and Chapter 41 districts beyond recapture</p> <p>Is this a legally required cost to the state? No.</p> <p>Issue: The Texas Education Code provides that (1) Chapter 42 districts can receive facilities assistance, and (2) Chapter 41 districts can receive facilities assistance beyond their recapture payment amounts (see 4 above), only if there is an FSP surplus in the fiscal year. Even if there is an FSP surplus, TEA must first use the surplus to finance special education camera needs.</p> <p>Note: Based on preliminary information, TEA has learned that FEMA may cover up to 90 percent of uninsured loss, leaving districts with at least a 10 percent uninsured and uncovered loss.</p> <p>TEA Proposal: The only <i>potential</i> legal mechanism for TEA to assist districts is to borrow money from FY 2019 and declare an FSP surplus in FY 2018. This has never been done before. Further, the surplus would first be used for special education camera needs.</p> <p>Additionally, the Legislature could provide additional funding as part of a supplemental appropriations during the 86th Texas Legislature.</p>	<p>TEA is encouraging districts to work with their insurance providers and FEMA to determine unreimbursed damage amounts.</p>	<p>TBD</p> <p>\$0 unless TEA borrows money from FY 2019 to create an FSP surplus in FY 2018. This has never been done before. If done, TEA would request a supplemental appropriation in the 86th Texas Legislature.</p>	<p>TBD</p> <p>\$0 unless there is an FSP formula surplus in FY 2019.</p> <p>The Legislature could provide additional funding as part of a supplemental appropriation bill during the 86th Texas Legislature.</p>	<p>TBD</p>	<p>TEC §42.2524 REIMBURSEMENT FOR DISASTER REMEDIATION COSTS.</p>

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<p>5 Students newly eligible to generate State Compensatory Education (SCE) FSP formula funds</p> <p>Is this currently a legally required cost to the state? Yes.</p> <p>Issue: Data from the Texas Department of Agriculture (TDA) National School Lunch Program (free/reduced price lunch) indicates districts will have more students qualifying for the FSP formula SCE weight during the 2017-2018 and 2018-2019 school years.</p> <p>Solution: For the 2017-2018 school year, TEA estimates 162,000 additional students will qualify for the SCE weight in the school finance system. Consistent with current practice, TEA will update its SCE FSP related formulas in February 2018. As a result, impacted districts will recognize increases to state aid for SCE identified students beginning with their March 2018 FSP payment.</p>	<p>TDA collects and provides National School Lunch Program student eligibility data to TEA. Per customary practice, TEA is scheduled to incorporate TDA data into the FSP system for the 2017-2018 school year during February 2018. As a result, impacted districts will recognize increases to state aid for SCE identified students beginning with their March 2018 FSP payment.</p>	<p>\$186 million</p>	<p>\$80 million</p> <p>Costs will vary depending on the number of additional students eligible for free/reduced lunch.</p>	<p>\$266 million</p>	<p>TEC §42.152. COMPENSATORY EDUCATION ALLOTMENT.</p>
<p>6 Students newly eligible for pre-K</p> <p>Is this currently a legally required cost to the state? Yes.</p> <p>Issue: Three- and four-year-old children may be newly eligible for free prekindergarten if they are deemed educationally disadvantaged and/or homeless for the 2017–2018 school year and beyond.</p> <p>Solution: Districts will be provided additional prekindergarten FSP funding during the September 2018 (FY2019) FSP settle-up process for newly qualifying students.</p>	<p>TEA will review districts PIEMS data provided by districts and flow funding for these students during the September 2018 (FY2019) FSP settle-up for the 2017–2018 school year.</p>	<p>\$0</p> <p>Additional funding for these students would not flow until the September 2018 (FY2019) FSP settle-up for the 2017–2018 school year.</p>	<p>TBD</p>	<p>TBD</p>	<p>TEC §29.153.</p>

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<p>7 Storm recovery costs</p> <p>Is this currently a legally required cost to the state? No.</p> <p>Issue: Affected districts may face storm recovery expenditures for transportation, additional counselors, student mental health needs, and overtime for auxiliary and maintenance staff.</p> <p>The Legislature could provide additional funding as part of a supplemental appropriations during the 86th Texas Legislature.</p>	<p>TEA is working to obtain approvals from FEMA so that some of these costs can be reimbursed. TEA is also working to identify additional federal funding sources and coordinate private resources.</p>	<p>\$0 to state</p> <p>All additional costs are borne by school systems.</p>	<p>\$0 to state</p> <p>All additional costs are borne by school systems.</p> <p>The Legislature could provide additional funding as part of a supplemental appropriations bill during the 86th Legislature.</p>	<p>\$0</p>	
<p>8 Education Service Center (ESC) costs</p> <p>Is this currently a legally required cost to the state? No. But TEA has pledged assistance.</p> <p>Issue: ESCs are incurring substantial costs to help with hurricane related remediation.</p> <p>Solution: TEA has pledged to help the ESCs, possibly by utilizing its FSP transfer authority in Rider 25 of the 2018-2019 General Appropriations Act.</p>	<p>Continue to collect hurricane related costs from the ESCs and report to the Legislature.</p>	<p>\$1 million</p>	<p>\$1 million</p>	<p>\$2 million</p>	

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