



DATE:	September 26, 2019
SUBJECT:	NEW 2019-2020 Preliminary <i>Summary of Finances</i>
CATEGORY:	State Funding
NEXT STEPS:	

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 House Bill (HB) 3, Senate Bill (SB) 4 and SB 11, 86th Texas Legislature, 2019 Regular Session, and provides information on the data we used in ~~SBF~~.

Given the significant changes required by HB 3, other related reports (including the statewide SOF and cost of recapture reports) will be made available throughout the year. Some of the formula funding elements for 2019 remain the same as 2018, and new elements were added or modified. Some of

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 state aid template or an equivalent state aid estimation process. The greatest value of the *SOF* report is

rate, 2019 tier one tax rate, and maximum compressed tax rate can be found on lines 10-12 of the SOF

district weights for small and mid-sized districts. The allotment is on line 23 of the *SOF* report. At least 55 percent of the funds allocated under this section must be used in the special education program under Subchapter A, Chapter 29, Education Code. The LPE and DPE columns use FTE estimates as described in “Student Counts” section on page 1. The DPE column will be updated at near-final settle-up in September 2020 to use FTEs from the district’s PEIMS summer submission.

Dyslexia Allotment: HB 3 establishes a new dyslexia allotment of 0.1 per student in Section 48.103, Education Code, that appears on line 24 of the *SOF* report. Initial funding estimates for school year 2019–2020 will be based on estimates of students identified as having dyslexia or a related disorder that were used during the appropriations process, which were the counts of dyslexia students for the 2018–2019 school year. Final funding amounts (at near-final settle-up

based on data submitted by districts in the PEIMS Summer submission. One hundred percent of dyslexia

administered under the TEC, Subchapter B, Chapter 39, or disparity in the rates of high school completion between: (1) students who are educationally disadvantaged and students who are not educationally disadvantaged; and (2) students at risk of dropping out of school, as defined

High School Allotment: The High School Allotment has been repealed and removed from the SOF report, with funding redirected to other college, career, and military readiness (CCMR) investments.

CCMR Outcomes Bonus: The CCMR outcomes bonus established by HB 3 in Section 48.110, Education Code, appears on line 30 of the SOF report. Districts will receive an outcomes bonus in the 2019–2020 school year, and this bonus will be generated from 2017–2018 graduates.

process. The LPE and DPE columns will be updated in April 2020 to include final CCMR outcomes. Background information, methodology, criteria and -1 (um)-56.6n.267 -12 (he)w ((c)-56.4 (es)-56.3 (

(GAA). The LPE and DPE columns are estimates based on your school district's estimated 2018–2019 route miles multiplied by the GAA-established rate of \$1 per mile. The DPE column will be updated at near-final settle-up in September 2020 based on information submitted by districts through the FSP subsystem accessed through [TEAL](#).

New Instructional Facilities Allotment (NIFA): The NIFA program can provide up to \$1,000 per student in 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. Section 48.152, Education Code, as amended by HB 3, expanded the definition for a new instructional facility 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 total amount appropriated for the program is limited by statute to \$100 million per 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 accessed through [TEAL](#). The deadline to submit applications this year was July 15. Approved NIFA applications will be incorporated into line 36 of the 2019–2020 preliminary *SOF* report by October 2019. Program information can be found on the [NIFA](#) web page.

Dropout Recovery and Residential Placement Facility Allotment: The dropout recovery and residential placement facility allotment established by HB 3 in Section 48.153, Education Code, appears on line 37 of the *SOF* report. The LPE and DPE columns contain estimates based on prior year data. The DPE column will be updated at near-final settle-up in September 2020 with

How Tier Two Funding is Determined under HB 3: Tier Two funding appears on line 46 of the *SOF* report. Tier two is comprised of two levels of guaranteed yield funding on the pennies of tax effort that exceed a district's tier one tax rate (\$0.93). The enrichment tax rate is defined as any tax effort in excess of the tier one tax rate, \$0.93, and less than \$1.17. The enrichment tax rate will continue to be divided into "golden pennies" and "copper pennies." The golden pennies have been increased from 6 to 8 under Section 48.202 (a-1)(1), Education Code, and the copper pennies refer to 2018 tax effort between \$1.08 and \$1.17.

The tax rate compression required for the enrichment tax rate is applied only to the copper pennies. The compression rate required under Section 48.202(f), Education Code, will be 0.64834, calculated as the fraction of the guaranteed yield level of state and local funds per weighted student for the 2018-2019 school year (\$31.95) divided by the guarantee level for the 2019-2020 school year (\$49.28).

Subchapter F Allotments: Subchapter F, Chapter 48, Education Code, allotments are part of line 47, Other Programs, on the *SOF* report.

Formula Transition Grant: HB 3 created a formula transition grant in Section 48.277, Education Code, for districts that would receive less than 103 percent of their total maintenance and operations tax revenue per student in ADA than in the 2019–2020 school year in even numbered years or the greater of the 2019–2020 or 2020–2021 school years in odd numbered years. The grant is limited to the lesser of the difference of 103 percent of current entitlement to a district's revenue under current law for the applicable school year, or 128 percent of the statewide average revenue per student in ADA. The grant is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available). The TEA will be adopting rules regarding the grant in spring of 2020.

Equalized Wealth Transition Grant: HB 3 eliminates the benefit received by districts subject to reduced recapture based on information from the districts in the 1992–1993 school year over a five-year period, through the creation of the Equalized Wealth Transition Grant in Section 48.278, Education Code. The grant establishes a 5-year glide path off of the 1992–1993 Chapter 41 hold harmless (repealed by HB 3) calculated as the amount a district received in 2018-2019. The grant is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available).

Staff Salary Allotment: The staff salary allotment under former TEC, §42.2153 was repealed by HB 3. This line has been removed from the *SOF* report.

Reimbursement for Interest Refunds: HB 3 entitles school districts under Section 48.271(c), Education Code, to reimbursement for the amount of interest included in a refund made by a district under Section 42.43, Tax Code, in the state fiscal year ending August 31, 2018, or August 31, 2019. A letter from the district's external independent CPA auditor certifying the amount along with documentation from the tax assessor collector verifying the refund is required. The reimbursement will be part of Other Programs on the *SOF*

rate imposed by school districts. 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 is limited to \$60 million. Charter schools do not need to apply to the TEA to receive the funding. The allotment is part of Other Programs on the *SOF* report and will appear on the Other Programs Detail Report with its own detail report (once that report is made available). A revised calculation of the amount will occur in September 2020 immediately following the school year and will be based on actual attendance data submitted to the Texas Student Data System (TSDS) PEIMS summer submission and the actual state average district I&S tax rate for the 2019 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.

Additional State Aid for School Districts that Contract to Partner to Operate a District Campus: HB 3 authorizes additional state aid under the TEC, §48.252 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 ADA 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 2019–2020 State Aid Template may be used to estimate the additional funding. For payment purposes, the additional state aid for school year 2019–2020 for school districts that contract to partner to operate a district campus will flow through “Other Programs” on the *SOF* report. A detail report will be added to the “Other Programs Detail Report” on the 2019–2020 *SOF* report in the coming months.

I&S State Aid: I&S state aid appears on lines 51-54 of the *SOF* report.

Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA): If your district qualifies for the EDA or the IFA, the preliminary allotment, based on 2018–2019 data and estimates of 2019 DPV as described in the “2019 State-Certified Property Value” section on page two, 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 for 2019–2020 is estimated to be \$38.10 for payment purposes and will be revised again at near-final settle-up in September 2020 based on final refined ADA.

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 under Section 42.2518, Education Code, 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 neces267 g0.4TJET1 giomTJET2.7 (S)-22.6 ()ogrcak

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