

September 18, 2017

TO THE ADMINISTRATOR ADDRESSED:

Subject: 2017–2018 Preliminary *Summary of Finances*

A preliminary *Summary of Finances (SOF)* report for the 2017–2018 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 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 2017–2018 remain the same as 2016–2017 with the following exceptions:

Formula elements that have been revised include:

- an increased guaranteed yield for Tier 2 level 1 (from \$74.28 to \$99.41), and
- a preliminary available school fund rate of \$206.566.

Financial Hardship Grants

House Bill 21, 85th Legislature, 1st Called Session, established a Financial Hardship Transition Program under Texas Education Code 42.451 (“Hardship Grants”). The Texas Education Agency (TEA) is in process of determining eligibility and calculating the Hardship Grant amounts. 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 another 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 2017. Following is a link to the most recent TAA correspondence:

http://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/Financial_Hardship_Transition_Program/.

Rapid Property Value Decline

Senate Bill 1, General Appropriations Act, 85th Legislature, Regular Session, appropriated \$50 million in the 2017–2018 school year and \$25 million in the 2018–2019 school year for adjustments due to rapid property value decline pursuant to TEC 42.2521. The TEA will release a TAA letter in early fall with more information.

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 2017–2018 school year; therefore, the amount provided per student will depend upon the total amount of requests made. Districts are required to submit applications to the Foundation School Program (FSP) subsystem of the Texas Education Agency Secure Environment (TEASE). The deadline to submit applications this year is December 29. Program information can be found on the [NIFA](#) web page.

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 if students walk to and from school. 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.

Adjustment to Compressed Tax Rate for Certain School Districts: The 84th Legislature amended Texas Education Code, §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 2015–2016 and 2016–2017 school years, school districts had to request that the TEA make this adjustment because this conversion may not have been beneficial for some districts receiving Additional State Aid for Tax Reduction (ASATR) under TEC, §41.2516. Beginning in the 2017–2018 school year, because ASATR was repealed effective September 1, 2017, 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.

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 annually after the TEA receives state-certified property values from the Comptroller's PTAD division. Your district's payment class has been updated on its most recent 2017–2018 *SOF*, and a spreadsheet showing payment class for all districts can be found on the [TEA website](#) under resources.

Charter Schools: Most charter schools' schedule of payments is 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. Requests for accelerated payment schedules are due September 1 and should be submitted through the charter module of the FSP system in TEASE.

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 FSP payments that your school district receives throughout the state fiscal year. The district 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 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 to monitor the differences between its FSP payments and its actual earnings by using a state aid template. Links to state aid templates are located under "Resources" on the [FSP](#) web page.

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 2017 Public Education Information Management System (PEIMS) enrollment data become available in March 2018. These are adjusted again in September 2018 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: 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 information submitted through the FSP System. Your charter school's current-year FSP payments are adjusted accordingly throughout the year.

2016 State-Certified Property Value:

The property value used in the LPE column of this *SOF* is the preliminary 2016 property value assigned by the Texas Comptroller's Property Tax Assistance Division (PTAD). The DPE column contains the final 2016 state-certified property value from the PTAD.

2017 Estimated M&O Tax Collections:

School Districts: To estimate the maintenance and operations (M&O) tax collection amounts that appear in both the LPE and DPE columns, we used the 2016–2017 M&O tax collections (as submitted by districts through the Fall PEIMS data submission) increased by 7.04 percent. After near-final settle up is processed, the DPE column will reflect tax collections submitted through the tax information survey. This was the growth factor used in the appropriations process for the current biennium. 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 year-end settle-up for the 2017–2018 school year occurs. As a result, payments to your school district will not reflect updates in tax collections. If your district had a successful TRE, we will adjust your district's LPE collections once data from the Texas Comptroller's self report are available in late January 2018.

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

IFA Lease Purchase and 2017 estimated M&O tax collections: If your district was awarded an IFA for a lease-purchase agreement, the district's current share of the IFA allotment has *not* yet been subtracted from the estimate of M&O tax collections.

2017 Estimated I&S Tax Collections: For this preliminary *SOF*, the 2017–2018 interest and sinking fund (I&S) tax collections figure is based on your district’s 2016–2017 budgeted I&S collections submitted to the PEIMS. These collections will be updated in fall 2017 with I&S collections submitted through the tax information survey.

Existing Debt Allotment (EDA) and IFA: If your district qualifies for the EDA or the IFA, the preliminary allotment based on 2016–2017 data appears on line 49 (EDA) or line 50 (IFA) of the *SOF*. The preliminary *SOF* does not yet include data regarding district debt for the 2017–2018 school year. These allotments will be updated later this fall with data from the Municipal Advisory Council (MAC) on bond payments for the 2017–2018 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.

Transportation and Staff Salary Allotments: These allotments are based on your school district’s estimated 2016–2017 allotments.

Per Capita Rate: A rate of \$206.566 multiplied by the prior-year ADA is used to estimate the per capita allotment. The rate is subject to change during the fiscal year.

2017–2018 State Aid Template:

School Districts: Links to the 2017–2018 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 2017–2018 Estimate of State Aid Template is available on the [Charter School State Funding Worksheets](#) web page.

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 2017–2018 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.

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,

Al McKenzie
Director of State Funding

State Funding Division Contact Information:

General SOF (Chapter 42) and Tax Information Survey

Nancy Kuhn (512) 463-6313, nancy.kuhn@tea.state.tx.us

Additional Homestead Exemption Hold Harmless

Al McKenzie (512) 463-9186, al.mckenzie@tea.state.tx.us

Adjustment to the Compressed Tax Rate for Certain School Districts and IFA/EDA

Amy Copeland (512) 463-8732, amy.copeland@tea.state.tx.us

Attendance Projections

Katherine Heeb (512) 463-9334, katherine.heeb@tea.state.tx.us

Bond Guarantee Program, NIFA

Cassie Huggins (512) 463-9232, cassie.huggins@tea.state.tx.us

Chapter 41 Wealth Equalization

Kim Wall (512) 463-4809, kim.wall@tea.state.tx.us

Charter School Funding

Dina Black (512) 463-7298, dina.black@tea.state.tx.us

Staff Salary Allotment and TEASE (FSP Application)

Pablo Reyes (512) 463-9294, pablo.reyes@tea.state.tx.us

**State Compensatory Education, Optional Flexible Year Program,
Optional Flexible School Day Program**

Ashley Behnke (512) 463-4834, ashley.behnke@tea.state.tx.us

**Tax Credits for Texas Tax Code, Chapter 313 Value Limitations, Supplemental Tax
Increment Fund (TIF) Payments**

Nancy Kuhn (512) 463-6313, nancy.kuhn@tea.state.tx.us

Transportation Funding

Danny Sanchez (512) 463-9266, danny.sanchez@tea.state.tx.us