



To the Administrator Addressed

Commissioner Mike Morath

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DATE:	September 24, 2020
SUBJECT:	NEW 2019-2020 Near-final <i>Summary of Finances</i> Report
CATEGORY:	State Funding
NEXT STEPS:	Share with business staff

A near-final *Summary of Finances* (SOF) report for the 2019–2020 school year is now available at the Texas Education Agency (TEA) [School District State Aid Reports](#) web page. This SOF report includes changes to funding formulas authorized with the passage of House Bill (HB) 3, Senate Bill (SB) 4, and SB 11, 86th Texas Legislature, 2019.

Student Counts: Average Daily Attendance (ADA) and Full-Time Equivalents (FTEs): This SOF report reflects the updated student attendance data submitted by school districts and charter schools through the Public Education Information Management System (PEIMS) in the summer 2020 for the 2019–2020 school year. TEA used the average daily attendance (ADA) as calculated through the end of the fourth six weeks, and then adjusted the resulting ADA to account for historical differences in rates of attendance from the first four six-week periods and the last two six-week periods. This single ratio was also applied to all student ADA and FTEs as reported through PEIMS as part of the “Covid-19 ADA Hold Harmless.” Once ADA was adjusted for historical rates of attendance, TEA then reduced ADA in an amount necessary to ensure each LEA received total state and Elementary and Secondary School Emergency Relief (ESSER) funding (provided through the CARES Act) equal to the amount that would have been available through the Foundation School Program (FSP) plus an amount to cover equitable services for private schools. An example of the calculation is included in question one of the [General State Funding FAQ](#). Line 5 of the SOF report shows the near-final calculation of students in weighted average daily attendance (WADA).

2019 State-Certified Property Value: The Texas Education Code (TEC), §48.256, as amended by HB 3, provides for using the current, rather than preceding year, taxable value of property in calculating a district’s local share of the FSP. This change applies to all FSP local share calculations, including those used for the Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) under the TEC, Chapter 46. The state-certified property value used in the DPE column of this SOF is the final 2019 property value assigned by the Texas Comptroller’s Property Tax Assistance Division (PTAD).

2019 Tax Year Estimated M&O Tax Collections: School Districts: This SOF report uses the maintenance and operations (M&O) and interest and sinking fund (I&S) tax collections that your district reported through the Tax Information Survey in summer 2020. If your district did not complete the survey, the budgeted tax collections for the 2019–2020 school year as reported through the PEIMS Fall Snapshot will continue to be used until tax collections reported on the district’s J-1 schedule in 2019–2020 annual financial report are incorporated in the final version of the SOF report in April 2021. If your district receives an Instructional Facilities Allotment for a lease-purchase agreement, your district’s local share of the allotment has been subtracted from the M&O tax collection amount. If your district participates in a tax

increment reinvestment zone (TIRZ), the local collections for the TIRZ submitted on the J1 schedule in your district's 2019–2020 annual financial report will be subtracted from your district's M&O collections in April 2021.

Charter Schools: The M&O tax collections reported by school districts have been used to determine the statewide average enrichment pennies for charter schools.

Tax Rates: Your district's maximum 2019 M&O tax rate, 2019 tier one tax rate, and maximum compressed tax rate can be found on lines 10-12 of the *SOF* report. Your district's I&S tax rate displays on line 14 for informational purposes only; this rate is not used in funding calculations. The LPE and DPE columns reflect self-reported data obtained from the PTAD. Detailed correspondence explaining tax rate compression required under HB3 can be found at the following link:

[https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House_Bill_3_\(HB3\)_Implementation_Tax_rate_compression](https://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/House_Bill_3_(HB3)_Implementation_Tax_rate_compression).

Per Capita Rate: In the *SOF* report, a per capita rate of \$319.713 on line 20 multiplied by prior-year ADA from line 19 is used to calculate the Available School Fund (ASF) allotment which appears on line 50.

Tier One Subchapter B and C Allotments: TEC, Subchapter B and C, Chapter 48, allotments appear on lines 21-34 of the *SOF* report.

Small and Mid-sized District Allotment: The allotment is on line 22 of the *SOF* report. As a result of HB 3, the small and mid-sized district adjustments were recreated as a stand-alone allotment for small and mid-sized districts. For school districts, the DPE column begins with an increased basic allotment (BA) of \$6,160 and is adjusted upwards depending on the district's Regular Program ADA as calculated on the *SOF*.

Charter schools now receive the weighted average funding amount for the small and mid-sized allotment. This change recognizes the population of students in small and mid-sized districts relative to the total student population in the state. However, the funding amount excludes the increased funding for single county districts with fewer than 300 ADA and the increase to the BA resulting from the move to current year property values for school districts. For 2019–2020, this amount is about \$1,107 per Regular Program ADA.

Special Education Adjusted Allotment: The allotment appears on line 23 of the *SOF* report. HB 3 amended the special education allotment under the TEC, §48.102, increasing the mainstream special education weight from 1.1 to 1.15. Under HB 3, special education funding is also increased by the small or mid-sized district weights for small and mid-sized districts. The DPE column now uses FTEs from the district's PEIMS summer submission.

Dyslexia Allotment: The allotment appears on line 24 of the *SOF* report. HB 3 established a new dyslexia allotment of 0.1 per student in the TEC, §48.103. The DPE column is now based on actual counts of students receiving dyslexia services, which are based on data submitted by districts in the PEIMS summer submission.

Compensatory Education Allotment: The allotment appears on line 25 of the *SOF* report. Districts receive an annual allotment equal to the BA multiplied by one of five weights for students determined to be educationally disadvantaged. These weights are based on the tier assigned in that year to the census block group in which a student who is educationally disadvantaged resides. The DPE column is based on the actual student census block group submitted in the 2019 PEIMS fall data. This allotment was finalized in March 2020 and remains unchanged.

Bilingual Education Allotment: The allotment appears on line 26 of the *SOF* report. HB 3 modified the bilingual education allotment under the TEC, §48.105, to provide effectively an additional 0.05 weight to students receiving services under a dual language immersion/one-way or two-way program model. The DPE column uses ADA from the district's PEIMS summer submission.

Career and Technology Allotment: The allotment appears on line 27 of the *SOF* report. HB 3 amended the TEC, §48.106, to expand the career and technology (CTE) allotment to add new courses (tech apps) and apply the allotment to high school CTE and tech apps courses taught in seventh and eighth grade. In addition, HB 3 provided for new CTE funding for P-TECH and New Tech campuses. The DPE column now uses FTEs from the district's PEIMS summer submission.

Early Education Allotment: The allotment appears on line 29 of the *SOF* report. The early education (EE) allotment was established by HB 3 in the TEC, §48.108. Funding is determined by multiplying 0.1 by the BA for each economically disadvantaged student in average daily attendance and each limited English proficiency student in K-3 in average daily attendance. Students who are both economically disadvantaged and limited English proficient receive 0.2 times the BA. The DPE column now uses ADA from the district's PEIMS summer submission. ADA for the EE Allotment is the sum of 0.1 - Early Ed Eco Dis Refined ADA and 0.2 - Early Ed Lang Refined ADA on the *TSDS PEIMS Superintendent's Report of Student Attendance - PDM3-130-001*.

College, Career and Military Readiness (CCMR) Outcomes Bonus: The allotment appears on line 30 of the *SOF* report. The CCMR outcomes bonus was established by HB 3 in the TEC, §48.110. Districts will receive an outcomes bonus in the 2019–2020 school year, and this bonus will be generated from 2017–2018 graduates. The LPE and DPE columns are based on the methodology and data used during the legislative process. The DPE column will be updated later in September 2020 to include final CCMR outcomes.

Fast Growth Allotment: The allotment appears on line 31 of the *SOF* report. The fast growth allotment established by HB 3 in the TEC, §48.111, recognizes the additional challenges and costs to districts experiencing rapid enrollment growth. School districts in the top quartile of growth in student enrollment over the preceding three school years will be eligible for the allotment. The allotment will be calculated based on applying a funding weight of 0.04 to the BA and multiplying by eligible districts' ADA. 19 Texas Administrative Code (TAC) [§61.1009](#) governs TEA's determination of a school district's eligibility for this allotment. Charters are not eligible for the allotment. A list of school districts receiving the fast growth allotment is located

here: <https://tea.texas.gov/sites/default/files/districts-eligible-for-fast-growth-allotment-for-2019-2020.pdf>.

Teacher Incentive Allotment: The allotment appears on line 32 of the *SOF* report. The teacher incentive allotment (TIA) was established in the TEC, §48.112. The DPE column contains final data. A detail report can be accessed from line 32 of the *SOF* report that displays the number of teachers by designation and the fee reimbursement for National Board Certified Teachers, if applicable. Please e-mail tia@tea.texas.gov for a more detailed breakdown of the calculations. More information regarding the TIA can be accessed here: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/teacher-incentive-allotment-tia-update-and-information>.

Mentor Program Allotment: The mentor program allotment (MPA) is established in the TEC, §48.114, by HB 3 and appears on line 33 of the *SOF* report. No funding was distributed in the 2019–2020 school year. The first group of districts applied in the 2020-2021 school year, and the funding begins in 2021. More information on the MPA can be accessed here: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/mentor-program-allotment-application-and-information>. Application and program guidelines are located on tea.texas.gov/mpa.

School Safety Allotment: A school safety allotment was established by SB 11 under the TEC, §42.168. The allotment appears on line 34 of the *SOF* report and is set at \$9.72 per student in ADA. The DPE column now uses ADA from the district's PEIMS summer submission.

Tier One Subchapter D Allotments: TEC, Subchapter D, Chapter 48, allotments appear on lines 35-44 of the *SOF* report.

Transportation Allotment: The allotment appears on line 35 of the *SOF* report. HB 3 amended the TEC, §48.151, to provide entitlement based on a rate per mile set by the Texas Legislature in the General Appropriations Act (GAA). The DPE column is now based on 2019–2020 route miles submitted by districts through the FSP subsystem accessed through the Texas Education Agency Login ([TEAL](#)) multiplied by the GAA-established rate of \$1 per mile.

New Instructional Facility Allotment (NIFA): The allotment appears on line 36 of the *SOF* report. 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. The TEC, § 48.152, 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 depends upon the total amount of NIFA applications approved. Based on approved NIFA applications, the amount provided per student in ADA is currently the full \$1,000. Final settle-up in April 2021 will be based on ADA from PEIMS and information provided on the Days of Instruction Survey submitted through the NIFA subsystem of the FSP system. Program information can be found on the [NIFA](#) web page.

Dropout Recovery and Residential Placement Facility Allotment: The allotment appears on line 37 of the *SOF* report. The dropout recovery and residential placement facility allotment was established by HB 3 in the TEC, §48.153. The DPE column was updated with ADA from the district's PEIMS summer submission.

College Preparation Assessment Reimbursement: The reimbursement appears on line 39 of the *SOF* report. The college preparation assessment reimbursement was established by HB 3 in the TEC, §48.155, to reimburse districts for the cost of one college preparation exam (SAT, ACT, or TSIA) per student. Students are eligible for reimbursement beginning in the spring of their junior year until August 31 after they graduate. Estimates are based on 100% of projected grade 11 enrollment plus 50% of projected grade 12 enrollment multiplied by \$35 per student. More details can be found in the following presentation:

https://tea.texas.gov/sites/default/files/HB3%20Video%20Series_CCMR_OutcomesBonus_v12.pdf. Districts will need to keep track of students, costs, and their selected exams for back-up documentation. If districts do not spend this estimated amount, the funding will be returned to the agency during settle-up in April 2021. If districts spend more than the estimated amount on eligible students and assessments, then the districts will be reimbursed during settle-up in April 2021. The latest information on this topic can be found in this [correspondence](#), and more information is forthcoming.

Certification Examination Reimbursement: The reimbursement appears on line 40 of the *SOF* report. The certification examination reimbursement established by HB 3 in the TEC, §48.156, is provided once per high school student who meets the requirements of TEC, § 29.190(a), as amended by HB 3, for any of the industry-based certifications (IBCs) in A-F accountability until August 31 after the students graduate. More details can be found in the following presentation: https://tea.texas.gov/sites/default/files/HB3%20Video%20Series_CCMR_OutcomesBonus_v12.pdf. Estimates are based on district CTE enrollment multiplied by \$8.51. Districts will need to keep track of students, exam fees, and their selected exams for back-up documentation. Unused funds or additional funding to cover the cost of exam fees paid for students who earn a certification will be a part of the April 2021 settle-up process. The latest information on this topic can be found in this [correspondence](#), and more information is forthcoming.

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

Formula Transition Grant: The grant is part of Other Programs on line 47 of the *SOF* report. HB 3 created a formula transition grant in the TEC, §48.277, for districts that would receive less than 103 percent of their total maintenance and operations revenue per student in ADA under prior law in the 2019–2020 school year in even numbered years or the greater of the 2019–2020 or 2020–2021 school years under prior law 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 TEA's rule regarding the grant, including data sources for calculating M&O revenue, is 19 TAC [§61.1011](#).

Equalized Wealth Transition Grant: The grant is part of Other Programs on line 47 of the *SOF* report. 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 the TEC, §48.278. 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.

Reimbursement for Interest Refunds: The reimbursement is part of Other Programs on line 47 of the *SOF* report. HB 3 entitles school districts under the TEC, §48.271(c), 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.

Charter School Facility Funding: The allotment is part of Other Programs on line 47 of the *SOF* report. In accordance with the TEC, §12.106(d), eligible charter schools are entitled to an allotment per ADA based on the state average interest and sinking (I&S) tax rate imposed by school districts. 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 amount is based on actual attendance data from the PEIMS summer submission and the actual state average district I&S tax rate for the 2019 tax year.

Additional State Aid for School Districts that Contract to Partner to Operate a District Campus: The allotment is part of Other Programs on line 47 of the *SOF* report. HB 3 authorizes additional state aid under the TEC, §48.252, for a district to enter into a contract 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 allotment will be updated in the coming weeks to include ADA from the PEIMS summer submission.

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): The EDA and IFA allotments display on lines 51-53 on the *SOF* report. If your district qualifies for the EDA or the IFA, the near-final allotment will be updated in the coming weeks to reflect the state and local shares of the respective programs based on student counts (adjusted for COVID-19 but not ESSER) and property values as described on page one. The guaranteed yield for 2019–2020, currently estimated at \$38.10 per ADA, will also be updated for payment purposes.

Program information can be found on the [EDA](#) and [IFA](#) web pages. 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 allotment appears on line 54 of the *SOF* report. The ASAHE for facilities allotment under TEC, §46.071, 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. Near-final allotments will be updated in the coming weeks to reflect the student counts and district property values described on page one. Settle-up amounts for 2019–2020 will be incorporated into the 2020–2021 EDA payments, which TEA expects to make in November. If your district does not have a sufficient ASAHE entitlement in 2020–2021 to net against a negative balance from 2019–2020, the remaining negative balance will be transferred to the IFA ledger, if applicable, or a refund will be requested and obtained.

Local Revenue in Excess of Entitlement (Recapture): The recapture formula modified by HB 3 in the TEC, § 48.257, appears on line 56 of the *SOF* report. The formula for recapture is now local revenue in excess of entitlement instead of on a wealth-per-WADA basis. Under HB 3, districts only pay tier one recapture on the amount above their formula entitlement. HB 3 modifies local revenue subject to recapture to be local revenue in excess of entitlement and is calculated by subtracting a district's tier one entitlement (and credit for appraisal costs) from its available school fund (ASF) distribution and local fund assignment. Additional details can be found in this correspondence: <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/recapture-formula-changes-and-reductions-under-house-bill-3-hb-3>.

A final determination regarding the payment of excess local revenue uses a district's final student counts described on page one, entitlement and local share under Chapter 48, final state certified property values for tax year 2019, adopted maintenance and operations (M&O) tax rate for tax year 2019, and 2019–2020 M&O tax collections.

FSP Allocations and Adjustments Report: The report entitled *FSP Allocations and Adjustments*, available by clicking the "FSP Allocations and Adjustments Report" link at the end of the *SOF* report, shows the amount of your school district's or charter school's near-final settle-up. If your school district or charter school was underpaid, the amount owed to the district or to the charter school will be paid. If your school district or charter school was overpaid, the amount overpaid will be recovered either by reducing the district's or charter school's 2020–2021 monthly payments from the Foundation School Fund (FSF) or requesting and obtaining a refund. If there is a reduction to the subsequent year's payments, the rate of recovery will be based on the same percentage that FSF monthly payments are based on in accordance with your district's or charter school's 2020–2021 payment class. Your school district's or charter school's 2019–2020 FSP payment ledger is also available at [School District State Aid Reports](#). (Select "Payment Ledgers" from the drop-down list.)

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,
Amy Copeland
Director of State Funding

STATE FUNDING DIVISION CONTACT INFORMATION

General SOF Report

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Tax Rate Compression

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Bond Guarantee Program, School Facilities Standards

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New Instructional Facility Allotment (NIFA)

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Excess Local Revenue (Recapture)

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Charter School Funding

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Instructional Facilities Allotment (IFA)/Existing Debt Allotment (EDA)

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State Compensatory Education

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Tax Information Survey/Reimbursement for Interest Refunds/Local Property Value Survey

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Tax Credit for Texas Tax Code, Chapter 313 Value Limitations/Supplemental Tax Increment Fund (TIF) Payments / District Property Value (DPV) Audits

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Transportation Funding/Optional Flexible Year and Optional Flexible School Day Programs

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TEAL Access for the FSP Application

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