

# School Finance 101

February 4, 2025



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# Continuing Education Credit

We are pleased to offer **one hour of continuing education credit for attorneys and accountants** with the State Bar of Texas and the Texas State Board of Public Accountancy. Certificates of participation will be emailed to attendees following the webcast, along with a copy of the presentation.

**\*Note: You must submit your credit to the appropriate organizations.**

# Upcoming TTARA Meetings & Events

## February 19

**Event:** [Legislative Update: Property Tax and School Finance](#)

**Time:** 10:00 a.m. – 12:00 p.m.

**Event:** [Legislative Update: State Tax and Budget](#)

**Time:** 1:00-3:00 p.m.

**Location:** 3rd Floor Moody Bank Building / Zoom

**Members Only:** Yes

## March 19

**Event:** [Legislative Update: Property Tax and School Finance](#)

**Time:** 10:00 a.m. – 12:00 p.m.

**Event:** [Legislative Update: State Tax and Budget](#)

**Time:** 1:00-3:00 p.m.

**Location:** 3rd Floor Moody Bank Building / Zoom

**Members Only:** Yes

## April 30

**Event:** [Legislative Update: Property Tax and School Finance](#)

**Time:** 10:00 a.m. – 12:00 p.m.

**Event:** [Legislative Update: State Tax and Budget](#)

**Time:** 1:00-3:00 p.m.

**Location:** 3rd Floor Moody Bank Building / Zoom

**Members Only:** Yes

## May 14

**Event:** [Legislative Update: Property Tax and School Finance](#)

**Time:** 10:00 a.m. – 12:00 p.m.

**Event:** [Legislative Update: State Tax and Budget](#)

**Time:** 1:00-3:00 p.m.

**Location:** 3rd Floor Moody Bank Building / Zoom

**Members Only:** Yes

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# Agenda

- A. Texas Public School System
- B. Public Education Funding in the State Budget
- C. Funding Formulas
- D. M&O Tax Rate Compression
- E. Tier 2 Enrichment Tax Rate
- F. Facilities
- G. Voter Approval Tax Rate
- H. Recapture (“Robin Hood”) *Local Revenue in Excess of Entitlement*
- I. Charter Schools



# Texas Public School System

# Texas Public School System

**2<sup>nd</sup> highest # districts behind California**

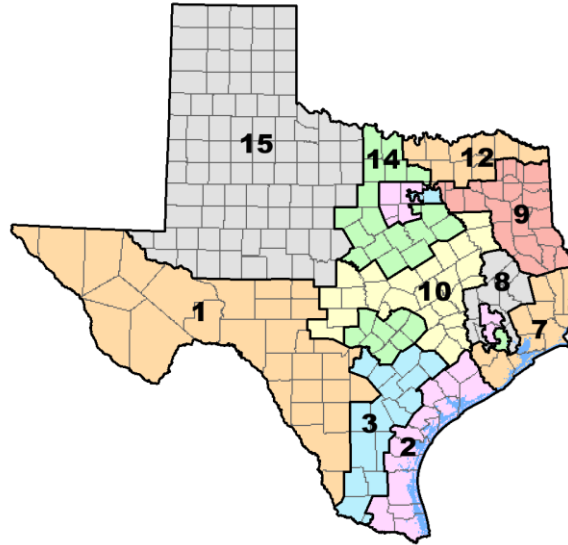
**1,207 school districts**

- 1,013 independent districts
- 6 special districts (military, etc.)
- 188 charters

**2<sup>nd</sup> highest # of campuses behind California**

**9,088 Campuses**

# State Board of Education

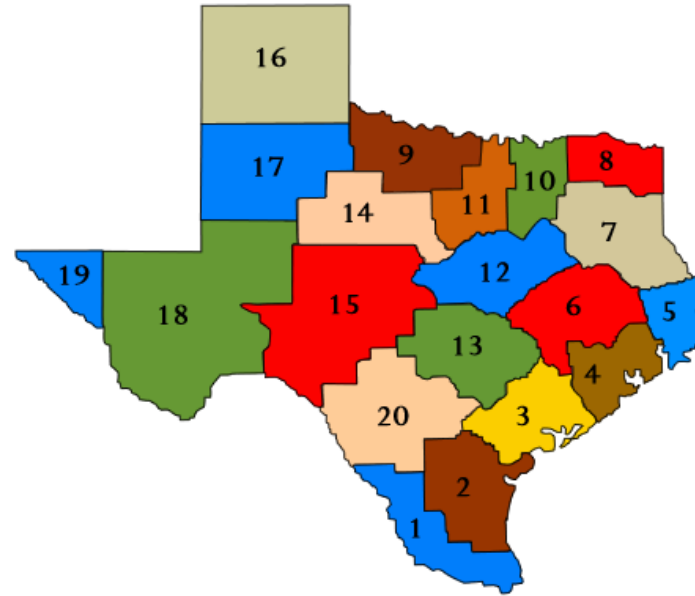


## 15 Elected Members

- Members serve 2 and 4-year staggered terms; 7 elected every two years
- Determine curriculum and graduation requirements for public schools
- Approve instructional materials used in public schools
- Responsible for investments in the Permanent School Fund
- Nominate the Commissioner of Education (appointed by the Governor)
- Charter school approval



# Regional Education Service Centers



## 20 Regional Education Service Centers

- Assist school districts with improving student performance, operating more efficiently, providing services for students, etc.
- Governed by a 7-member board elected by school boards in the region
- Receive \$11.9 million per year from the state

# Texas Public School Enrollment 2023-24

## 2<sup>nd</sup> highest # of students behind California

	2024	% of Total
<b>Total Enrolled Students</b>	<b>5,531,236</b>	
African American	707,609	13%
<b>Hispanic</b>	<b>2,942,144</b>	<b>53%</b>
White	1,384,437	25%
Other	497,046	9%
<b>Economically Disadvantaged (&lt;\$55,500 annual income family of four)</b>	<b>3,439,856</b>	<b>62%</b>
<b>English Language Learners</b>	<b>1,345,917</b>	<b>24%</b>

Source: Texas Education Agency Pocket Edition 2024

# Texas Public School Employment 2023-24

## More school employees than any other state

	2023-24	% of Total	Avg. Base Salary
<b>Total Employees</b>	<b>776,521</b>		
<b>Teachers</b>	<b>374,922</b>	<b>48%</b>	<b>\$62,463</b>
Campus Administration	25,836	3%	\$86,738
Central Administration	9,488	1%	\$116,028
Professional Support	83,316	11%	\$73,758
Paraprofessionals	88,258	12%	\$24,963
Auxiliary Staff	191,701	25%	\$33,173

Source: Texas Education Agency Pocket Edition 2024

# Minimum Salary Schedule Linked to Basic Allotment

Minimum Salary Schedule for Classroom Teachers, Librarians, Counselors, Nurses, Speech Pathologists			
Years Experience		Years Experience	
0	\$33,660	11	\$46,770
1	\$34,390	12	\$47,850
2	\$35,100	13	\$48,850
3	\$35,830	14	\$49,810
4	\$37,350	15	\$50,710
5	\$38,880	16	\$51,570
6	\$40,410	17	\$52,370
7	\$41,830	18	\$53,140
8	\$43,170	19	\$53,860
9	\$44,440	20+	\$54,540
10	\$45,630		

Data Source: Texas Education Agency

# Estimated Cost of Teacher Salary Increase

## Bills increasing teacher salaries usually apply to:

Classroom teachers	374,922
Full-time librarians	4,250
Full-time counselors	13,696
Full-time school nurses	<u>8,399</u>
<b>Total</b>	<b>401,267</b>

**\$4,000 pay raise ~ \$1.6 billion annual cost**

**\$5,000 pay raise ~ \$2.0 billion annual cost**

**\$10,000 pay raise ~ \$4.0 billion annual cost**

# Teacher Incentive Allotment

- Teacher Incentive Allotment (TIA) provides districts with funding to incentivize teachers to work in high-needs schools and difficult to staff positions for increased pay.
- **597 school districts** participate with **24,941 teachers** receiving funds.
- **\$292 million** distributed in 2023-24 school year. 90% must be spent on teacher compensation.

Teacher Designation	Base Allotment	Multiplier Base	Socioeconomic Factor
Recognized	\$3,000	\$1,500	.05 – 4.0
Exemplary	\$6,000	\$3,000	.05 – 4.0
Master	\$12,000	\$5,000	.05 – 4.0

Allotment = Base Allotment + (Multiplier Base x Socioeconomic Factor)

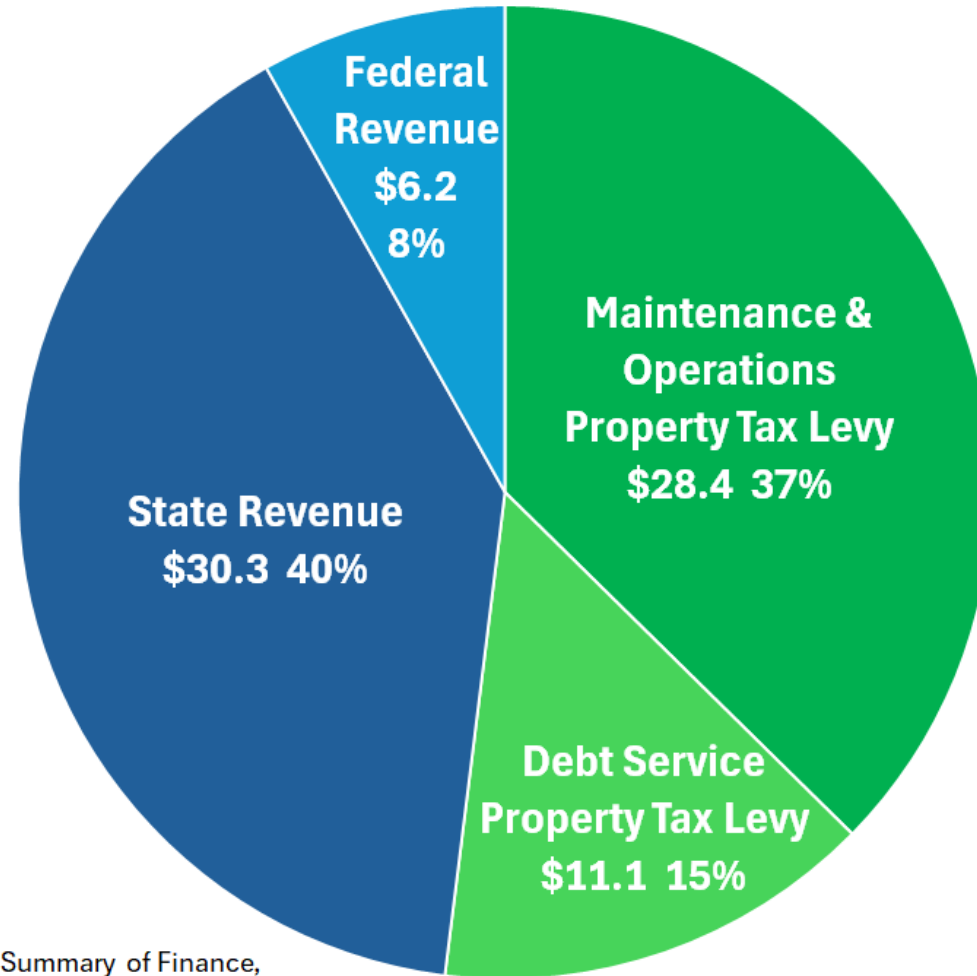
Rural Districts are moved up 2 socioeconomic factors



# Public Education Funding in the State Budget

# Public Education Funding 2023-24 School Year

2023-24 School Year Funding **\$76 Billion**

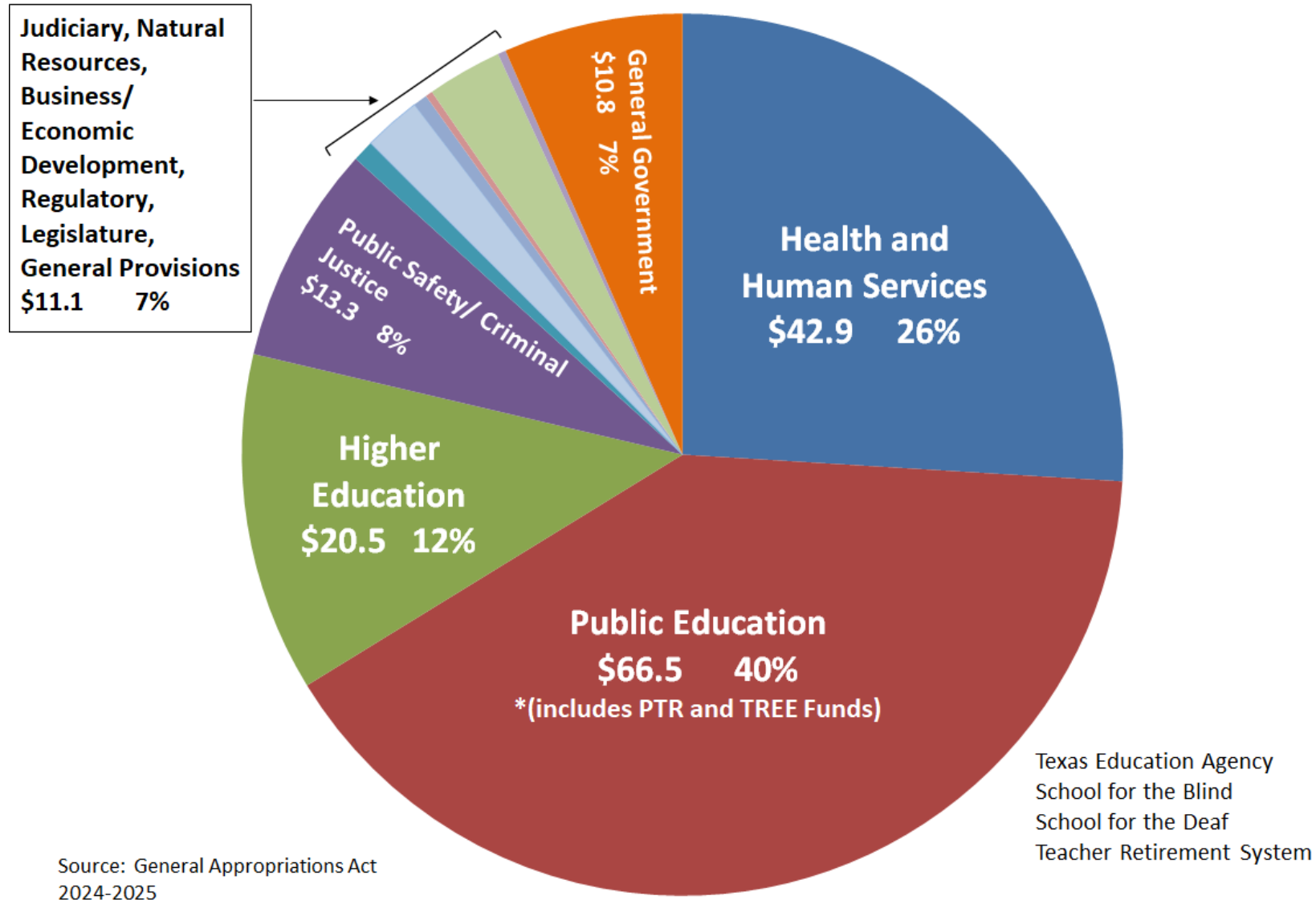


Source: Statewide Summary of Finance,  
2024-25 Appropriations Bill Federal Funding



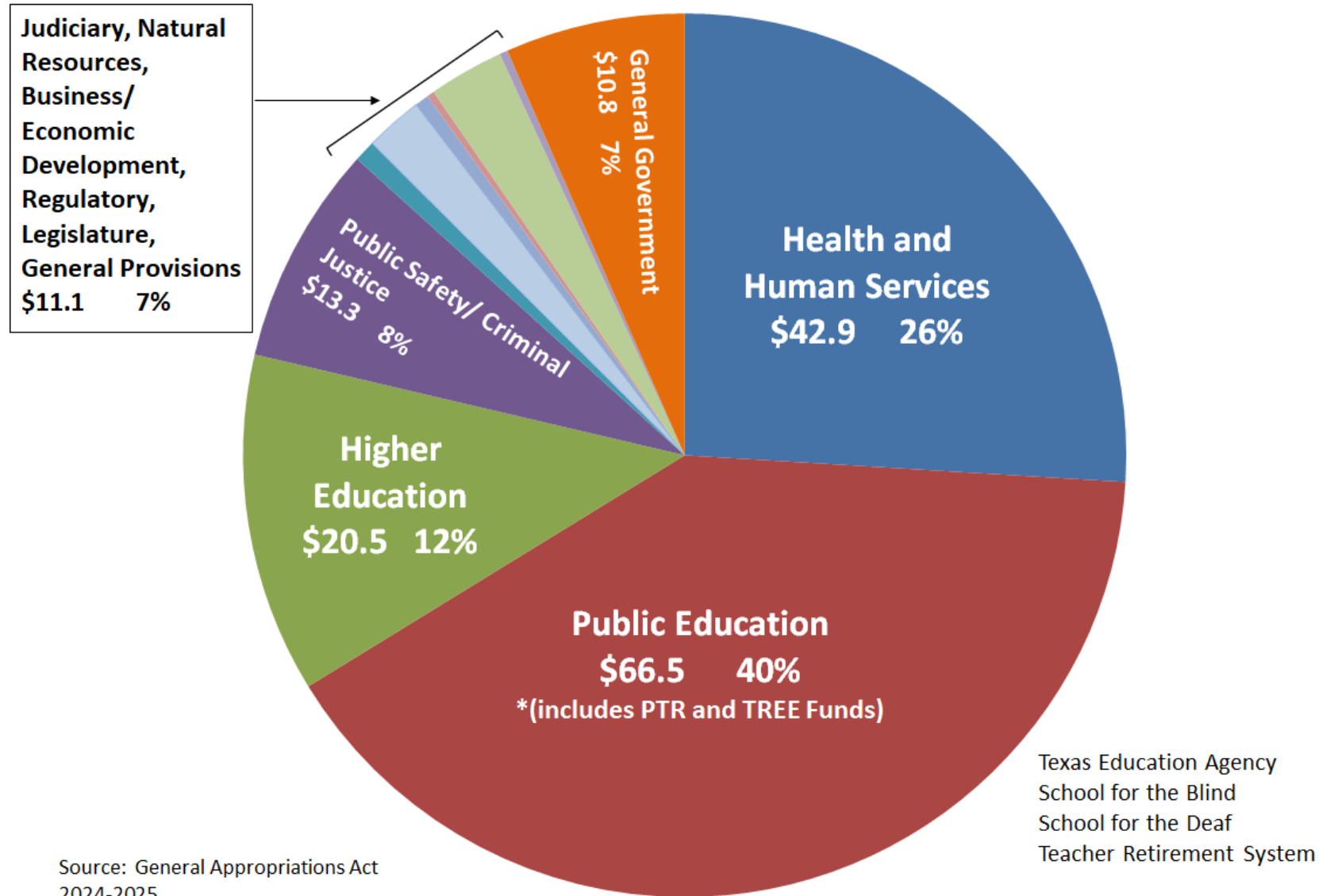
# Public Education 40% of General Revenue Budget (Billions)

General Revenue\* Funds 2024-2025 Biennium (Billions) \$165.1 Billion



# Public Education 28% of All Funds Budget (Billions)

General Revenue\* Funds 2024-2025 Biennium (Billions) \$165.1 Billion



Source: General Appropriations Act  
2024-2025

# Funds Dedicated to Public Education

- **Permanent School Fund** - Article 7, Section 2 of the Texas Constitution establishes the Permanent School Fund for the support of public schools. Established in 1854. Consists of accumulated revenues from state land and mineral rights, royalty earnings, and stocks and bonds. Guarantees school bonds.
  - FY 2023 – **Valued at \$52.3 billion**
- **Available School Fund** - Article 7, Section 5 of the Texas Constitution directs that **earnings from the Permanent School Fund** be transferred to the ASF.
  - FY 2024 - **\$2.1 billion** for instructional materials and per student distribution to school districts

# Funds Dedicated to Public Education

- **Motor Fuels Tax (25%)** - Article 8, Section 7-a of the Texas Constitution directs that **25% of motor fuels tax** collections be deposited into the ASF.
  - FY 2023 - **\$958 million deposited into ASF**
- **Occupation Taxes (25%)** - Article 7, Section 3 of the Texas Constitution directs that **25% of occupation taxes** (mostly gross receipts taxes on certain services associated with oil and gas wells) be transferred to the Foundation School Fund.
  - FY 2023 - **\$1.5 billion**
- **Lottery** - Section 466.355 of the Government Code directs that **lottery revenue after prizes** and other costs be transferred to the Foundation School Fund.
  - FY 2023 - **\$1.6 billion**

# Funds Dedicated to Public Education

- **Property Tax Relief Fund** - Sec. 403.109 of the Government Code directs a portion of the motor vehicle sales tax, cigarette, cigar and tobacco production tax, and franchise taxes to the fund to pay for 2006 tax rate compression. Additional revenue can be appropriated to the PTRF.
  - 2024-25 biennium - **\$17.5 billion appropriated for property tax relief**
- **Tax Reduction and Excellence in Education Fund (TREE)** - ASF transfers exceeding \$300 million (up to \$600 million per year) from the SBOE or GLO and sales tax revenue from online sales taxable for the first time in 2019 are deposited to the TREE Fund. Additional revenue can be appropriated to the TREE fund.
  - 2024-25 biennium - **\$3.3 billion appropriated**
- **Instructional Materials and Technology Fund** - Sec. 31.021 of the Education Code directs a portion of the Available School Fund be transferred to the fund to be used by school districts to purchase instructional materials.
  - 2024-25 biennium - **\$1.0 billion**

$$\left( \frac{f(x)}{g(x)} \right)' = \frac{f'(x) \cdot g(x) - f(x) \cdot g'(x)}{g^2(x)}$$

$$\log_a \frac{b}{c} = \log_a b - \log_a c$$

$$\cos(\alpha + \beta) = \cos \alpha \cos \beta - \sin \alpha \sin \beta$$

$$\sin(\alpha - \beta) = \sin \alpha \cos \beta - \cos \alpha \sin \beta$$

$$\operatorname{tg}(\alpha + \beta) = \frac{\operatorname{tg} \alpha + \operatorname{tg} \beta}{1 - \operatorname{tg} \alpha \operatorname{tg} \beta}$$

$$\sin^2 \alpha + \cos^2 \alpha = 1$$

$$\cos 2\alpha = \cos^2 \alpha - \sin^2 \alpha$$

$$1 = \frac{1}{\cos^2 \alpha} = \sec^2 \alpha$$

$$f'(x) = \lim_{\Delta x \rightarrow 0} \frac{f(x + \Delta x) - f(x)}{\Delta x}$$

$$\frac{b}{\sin \beta} = \frac{c}{\sin \gamma} = 2R$$

$$\frac{b}{\sin \beta} = \frac{c}{\sin \gamma} = 2R$$

$$\cos 2\alpha = 2 \cos^2 \alpha - 1$$

$$\operatorname{tg}(\alpha - \beta) = \frac{\operatorname{tg} \alpha - \operatorname{tg} \beta}{1 + \operatorname{tg} \alpha \operatorname{tg} \beta}$$

$$\sin x = a; \quad x = (-1)^n \arcsin a + \pi n$$

$$\cos \alpha - \cos \beta = -2 \sin \frac{\alpha + \beta}{2} \sin \frac{\alpha - \beta}{2}$$

$$2 \cos^2 \alpha = 1 + \cos 2\alpha$$

$$2 \cos^2 \alpha + 1 = \frac{1}{\sin^2 \alpha} = \operatorname{cosec}^2 \alpha$$

$$\sin \alpha - \sin \beta = 2 \sin \frac{\alpha - \beta}{2} \cos \frac{\alpha + \beta}{2}$$

$$S_{\Delta} = \sqrt{p(p-a) \cdot (p-b) \cdot (p-c)}$$

$$\operatorname{tg} x = a; \quad x = \operatorname{arctg} a + \pi n$$

$$\cos 2\alpha = 1 - 2 \sin^2 \alpha$$

$$\sin \alpha + \sin \beta = 2 \sin \frac{\alpha + \beta}{2} \cos \frac{\alpha - \beta}{2}$$

$$\frac{1}{1!} + \frac{1}{2!} + \dots + \frac{1}{n!} \approx 2,71$$

$$\operatorname{arctg}(-a) = -\operatorname{arctg} a$$

$$\cos \alpha + \cos \beta = 2 \cos \frac{\alpha + \beta}{2} \cos \frac{\alpha - \beta}{2}$$

$$(-a) = \pi - \arccos a$$

$$2 \sin \alpha \sin \beta = \cos(\alpha - \beta) - \cos(\alpha + \beta)$$

# Funding Formulas

# Foundation School Program

## Tier 1

**Basic tier** that determines the majority of a school district's entitlement **through formulas**. **Cost is shared between the state and school district.**

## Tier 2 Enrichment

A school district can levy up to \$0.17 in addition to the tier 1 rate for enrichment purposes. **State equalizes each penny levied.**

## Facilities

Financed by a school district's **I&S rate**. **Equalized by the state for low wealth districts.**



# Student Terms

	<b>\$75,986,938,535</b>	<b>2023-24</b>	
<b>Enrollment</b>	Number of students enrolled in public schools	<b>5,531,236</b>	<b>\$13,738</b> per enrolled
<b>ADA - Average Daily Attendance</b>	Average number of students that attend schools each day	<b>5,015,387</b> (90% of enrollment)	<b>\$15,151</b> per ADA
<b>WADA - Weighted Average Daily Attendance</b>	Calculated number of funded ADA after weights and adjustments are applied	<b>7,423,426</b> (148% of ADA)	<b>\$10,236</b> per WADA



# Enrollment vs. Average Daily Attendance (ADA)

	Enrollment	% Inc	ADA	% Inc	% ADA
2011-12	4,998,579	1.32%	4,634,772	1.69%	92.72%
2012-13	5,075,840	1.55%	4,699,676	1.40%	92.59%
2013-14	5,151,925	1.50%	4,780,216	1.71%	92.79%
2014-15	5,232,065	1.56%	4,855,445	1.57%	92.80%
2015-16	5,299,728	1.29%	4,924,925	1.43%	92.93%
2016-17	5,359,127	1.12%	4,974,711	1.01%	92.83%
2017-18	5,399,682	0.76%	5,004,614	0.60%	92.68%
2018-19	5,431,910	0.60%	5,019,837	0.30%	92.41%
2019-20	5,493,940	1.14%	4,905,360	-2.28%	89.29%
2020-21	5,371,586	-2.23%	5,001,974	1.97%	93.12%
2021-22	5,427,370	1.04%	4,969,073	-0.66%	91.56%
2022-23	5,518,432	1.68%	4,982,302	0.002%	90.28%
2023-24	5,531,236	0.002%	5,015,388	0.007%	90.67%

Data Source: Texas Education Agency

# Basic Allotment

**Basic Allotment is the starting number in formula calculations**

**Basic Allotment = \$6,160**

Set by the Legislature

Set in statute (Educ. Code §48.051)

Also in Rider #3, Article III, Appropriations Bill

- Basic allotment would be \$7,564 if adjusted for inflation since 2019
- Cost to increase the basic allotment by \$1,000 ~ \$7.4 billion per year
- Cost to increase the basic allotment by \$1,400 ~ \$10.4 billion per year

# Basic Allotment

- Any year the basic allotment is increased, school districts must use **30% of additional revenue for employee salary increases** (75% to teachers, librarians, counselors, and nurses). Minimum salary schedule is linked to the basic allotment.
- Tier 2 enrichment pennies are linked to basic allotment.
- If the Legislature reduces the basic allotment, a school district can **increase its M&O tax rate to a maximum of \$1.17** to recoup the loss.

Basic allotment is reduced proportionately for districts that don't levy the tier 1 Maximum Compressed Rate

$$BA = \$6,160 \times (\text{District's Tier 1 Rate} / \text{Tier 1 Maximum Compressed Rate})$$

*Example*

$$BA = \$6,160 \times (\$0.60 / \$0.70)$$

$$BA = \$6,160 \times 0.857$$

$$BA = \$5,279$$

*Example*

# Student “Weights” and Allotments

	Last Updated	Weight	Purpose
Special Education (funded on FTE’s)	2019	<b>1.15-5.0 x basic allotment</b>	12 weights for students with disabilities. Not in regular program count.
Career and Technology (funded on FTE’s)	2021	<b>1.10-1.47 x basic allotment</b>	Districts receive additional funding for students in grades 7-12 (expanded from 9-12) for students that take career and technology courses. HB 1525 changed the weights to 1.1, 1.28, and 1.47 based on the level of course and applies them to the basic allotment plus the small or mid-size district adjustment. Not in regular program count.
Regular Program Students (funded on ADA)	1984	<b>1.0 x basic allotment</b>	Students that are not in special ed or career and technology programs.
Additional Student Allotments			
Compensatory Education	2021	<b>0.225-0.275</b>	Low income students determined by eligibility for free & reduced-price lunch program (\$55,500 family of four); federal census block group (median household income, average educational attainment of the population, percentage of single-parent households, rate of homeownership).

\* FTE (Full-time equivalent student) is defined as 30 hours of contact per week between a student and program personnel.

# Student “Weights” and Allotments (cont.)

	Last Updated	Weight	Purpose
Bilingual/Dual Language	2019	0.05-0.15	Students with difficulty performing class work in English. 0.05 weight if English speaker in a dual language program.
Gifted and Talented	2021	0.07	A school district or charter school can identify up to 5% of its ADA as gifted and talented to qualify for additional funding.
Tuition Allotment for Districts Not Offering all Grade Levels	2019	Tuition Paid	A school district that contracts for students residing in the district to be educated in another district because it does not offer all grade levels is entitled to receive an allotment equal to tuition paid by the district.
Public Education Grant	1995	0.10	Students who transfer to another school district because their campus was rated low performing for 3 years.
Early Education	2019	0.10	K-3 students that are economically disadvantaged or bilingual.
Dyslexia or Related	2019	0.10	Students with dyslexia or related learning disorder.
Dropout Recovery School and Residential Placement Facility Allotment	2019	\$275 per ADA	Students attending a dropout recovery school or who resides in a residential placement facility.

# Student “Weights” and Allotments (cont.)

	Last Updated	Weight	Purpose
College, Career, and Military Readiness Outcomes Bonus	2019	\$5,000 \$3,000 \$2,000	\$5,000 for each economically disadvantaged student, \$3,000 for non-economically disadvantaged students, and \$2,000 for special education students that achieve college readiness standards and enroll in a college, earn an industry-accepted certification, or pass the Armed Services Vocational Aptitude test and enlist in the military.
P-Tech/New Tech Incentive	2019	\$50 per ADA	Districts receive an additional \$50 for each student that attends a P-Tech or New Tech campus.

# District and Other Allotments

	Last Updated	Weight	Purpose
School Safety Allotment	2023	\$10 per ADA + \$1 per ADA for each \$50 increase in Basic Allot. + \$15,000 per campus	Additional funding for expenditures to improve safety.
Small and Mid-Size District Allotments	2019	Calculated Allotment	School districts with less than 5,000 students in average daily attendance receive additional funding per ADA to adjust for diseconomies of scale. Smallest districts get more additional funding.
Fast Growth Allotment	2021	0.18, 0.33, 0.48	Districts with enrollment growth in excess of 250 students over six years receive additional funding per ADA. Capped at \$320 million per year statewide.
Mentor Program Allotment	2019	\$14.5 million/yr.	Districts can apply for funds to pay stipends to teachers that mentor teachers with less than two years experience.
Teacher Incentive Allotment	2019	Up to \$32,000 per eligible teacher	Districts can apply for funds to provide pay increases to effective teachers who teach at high needs campuses, rural campuses, or in areas experiencing a critical teacher shortage.
College Prep and Industry Certification Exam Reimb.	2023	Fees paid	School districts receive reimbursement for fees paid to administer college preparation assessments and for students who pass an industry certification exam.

# General Allotments

Allotment	Amount
<b>New Instructional Facility Allotment</b>	<b>\$1,000 per ADA</b> in a newly built campus in the first year, and for additional students who attend that campus in the second year. <b>\$100 million per year total</b>
<b>Transportation Allotment</b>	<b>\$1.00 per approved mile</b> \$1.08 special education students \$0.25 private transportation
<b>Available School Fund</b>	<b>\$511</b> per prior year ADA
<b>Technology and Instructional Materials Allotment</b>	<b>\$1.0 billion</b> for the biennium



# Small and Mid-size District Allotments

## 2023-24 School Year

	# Districts and Charters	Maximum Additional \$ per ADA	% of Total ADA
Small District Allotment Less than 1,600 ADA	814 67%	\$ 3,930	8%
Mid-size District Allotment Between 1,600-5,000 ADA	229 19%	\$ 523	13%
<b>Total Districts and Charters</b>	<b>1,043</b> <b>86%</b>		<b>21%</b>

# Tier 1 Formula Entitlement – No Recapture

6,160	x	#	Special Education FTE *	x	1.15 - 5.00	=	Special Education Allot
6,160	x	#	Career and Technology FTE *	x	1.10-1,47	=	Career and Tech Allot
6,160	x	#	Regular Program ADA	x	1.00	=	Regular Program Allot
6,160	x	#	Compensatory Education ADA	x	0.225 - 0.275	=	Comp Ed Allot
6,160	x	#	Bilingual ADA	x	0.05-0.15	=	Bilingual Allot
6,160	x	#	Gifted and Talented ADA	x	0.07	=	Gifted Allot
6,160	x	#	Early Education ADA	x	0.10	=	Early Education Allot
6,160	x	#	Dyslexic ADA	x	0.10	=	Dyslexic Allot
			School Safety Allotment			=	School Safety Allot
			Small-Mid Size District Allotment			=	Small/Mid Size Allot
			Transportation Allotment			=	<u>Transportation Allot</u>
			<b>Local Share = Current Year Certified Property Value**</b>				<b>\$100,000,000</b>
			<b>x Tier 1 Tax Rate (MCR)</b>				<b><u>-\$ 40,000,000</u></b>
			<b>(per \$100 value)</b>				<b>\$ 60,000,000 State Aid</b>

\* FTE (Full-time equivalent student) is defined as 30 hours of contact per week between a student and program personnel.

\*\* Value determined by School Value Study

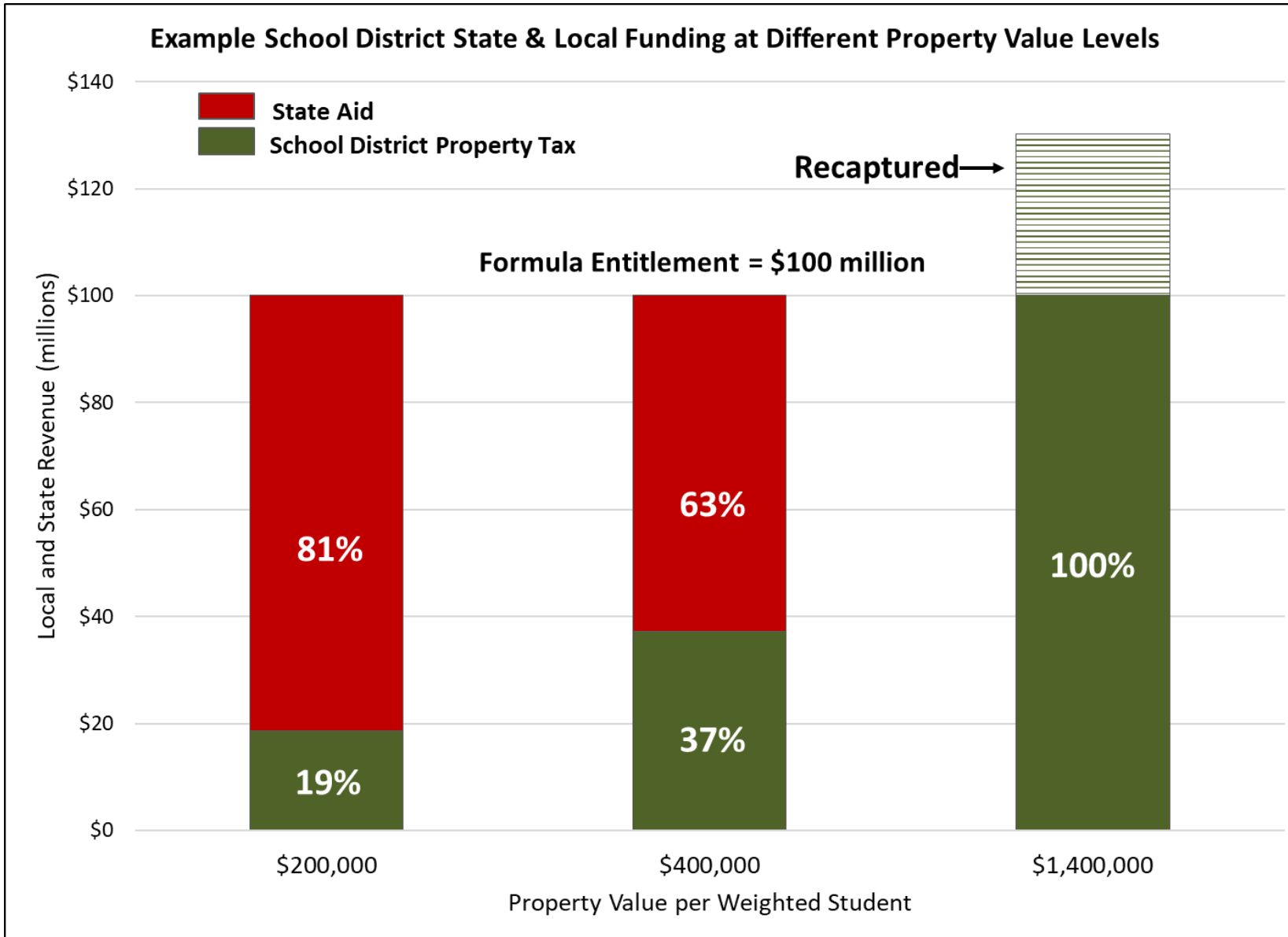
# Tier 1 Formula Entitlement – Recapture

6,160	x	#	Special Education FTE *	x	1.15 - 5.00	=	Special Education Allot
6,160	x	#	Career and Technology FTE *	x	1.35	=	Career and Tech Allot
6,160	x	#	Regular Program ADA	x	1.00	=	Regular Program Allot
6,160	x	#	Compensatory Education ADA	x	0.225 - 0.275	=	Comp Ed Allot
6,160	x	#	Bilingual ADA	x	0.15	=	Bilingual Allot
6,160	x	#	Gifted and Talented ADA	x	0.07	=	Gifted Allot
6,160	x	#	Early Education ADA	x	0.10	=	Early Education Allot
6,160	x	#	Dyslexic ADA	x	0.10	=	Dyslexic Allot
			School Safety Allotment			=	School Safety Allot
			Small-Mid Size District Allotment			=	Small/Mid Size Allot
			Transportation Allotment			=	<u>Transportation Allot</u>
<b>Local Share = Current Year Certified Property Value**</b>							<b>\$100,000,000</b>
<b>x Tier 1 Tax Rate (MCR)</b>							<b><u>-\$130,000,000</u></b>
<b>(per \$100 value)</b>							<b>\$ 30,000,000 to State</b>

\* FTE (Full-time equivalent student) is defined as 30 hours of contact per week between a student and program personnel.

\*\* Value determined by School Value Study

# Illustration of State and Local Share



A close-up photograph of a document titled "PROPERTY TAXES" in large, bold, black serif font. The document is white and lies on a light-colored wooden surface. In the upper right corner, a portion of a black calculator is visible, showing buttons for "EXP", "Ans", "=", "+", "x", "6", and "3". In the lower right corner, the tip of a silver and black fountain pen is visible. The right side of the image is partially obscured by a dark blue curved overlay.

# PROPERTY TAXES

M&O Tax Rate  
Compression

# Components of the Property Tax Rate

## School district property tax rate components levied per \$100 of value

- **Maintenance and Operations (M&O)** tax rate provides funds for maintenance and operations (employee salaries, utilities, supplies, etc.)
  - M&O rate above a certain level **requires voter approval**
- **Interest and Sinking (I&S)** tax rate provides funds to pay for the debt that finances a district's facilities and equipment.
  - Debt paid by I&S rate **requires voter approval**

# M&O Tax Rate Compression

State reimburses school districts for lost property tax revenue due to compression

- **Maximum Compressed Rate (MCR) is the rate used to calculate the school district's share of its tier 1 entitlement.**
- **Value growth above 2.5% is used to compress prior year rates (e.g. if growth=8.5%, rate is reduced by 6%).**
- Both a statewide MCR and an MCR for each school district (using the district's value growth) are calculated, with the **lesser of the two assigned to the school district.**
- **Due to equity concerns, minimum individual school district rates are limited to 90% of statewide rate.**
- **Unrealized tax rate compression from prior year due to the equity limit is applied to the current year statewide rate.**
- **Each school district is subject to an M&O tax rate cap equal to the district's maximum compressed rate plus \$0.17.**

# Tax Rate Compression for 2024 Tax Year

TY 2024 School District Tier 1 Maximum Compressed Rate (MCR)

Lower of Two Calculations:

Statewide Value Growth = 2.87%

TY 2024 Statewide Compression

$$\text{MCR} = \$0.6880 \times \frac{1.025}{1.0287}$$

$$\text{MCR} = \$0.6880 \times 0.9964$$

$$\text{MCR} = \$0.6855$$

$$\text{MCR} = \$0.6855$$

OR

District Value Growth = 1%

TY 2024 District Compression

$$\text{MCR} = \$0.6880 \times \frac{1.025}{1.01}$$

$$\text{MCR} = \$0.6880 \times 1.0148$$

$$\text{MCR} = \$0.6981$$

$$\text{MCR} = \$0.6981$$

2.87% is the estimated statewide value growth for TY 2024 in the appropriations bill

$\$0.6169$  is the lowest rate allowable to receive full state entitlement due to the 90% "equity limit"

Calculation results are truncated to four decimals rather than rounded



# Tax Rate Compression for 2024 Tax Year

TY 2024 School District Tier 1 Maximum Compressed Rate (MCR)

Lower of Two Calculations:

Statewide Value Growth = 2.87%

TY 2024 Statewide Compression

$$\text{MCR} = \$0.6880 \times \frac{1.025}{1.0287}$$

$$\text{MCR} = \$0.6880 \times 0.9964$$

$$\text{MCR} = \$0.6855$$

$$\text{MCR} = \$0.6855$$

OR

District Value Growth = 15%

TY 2024 District Compression

$$\text{MCR} = \$0.6192 \times \frac{1.025}{1.15}$$

$$\text{MCR} = \$0.6192 \times 0.8913$$

$$\text{MCR} = \$0.5518$$

$$\text{MCR} = \cancel{\$0.5518} \quad \$0.6169$$

2.87% is the estimated statewide value growth for TY 2024 in the appropriations bill

\$0.6169 is the lowest rate allowable to receive full state entitlement due to the 90% "equity limit"

# MCR Rates With and Without Equity Floor – Selected School Districts

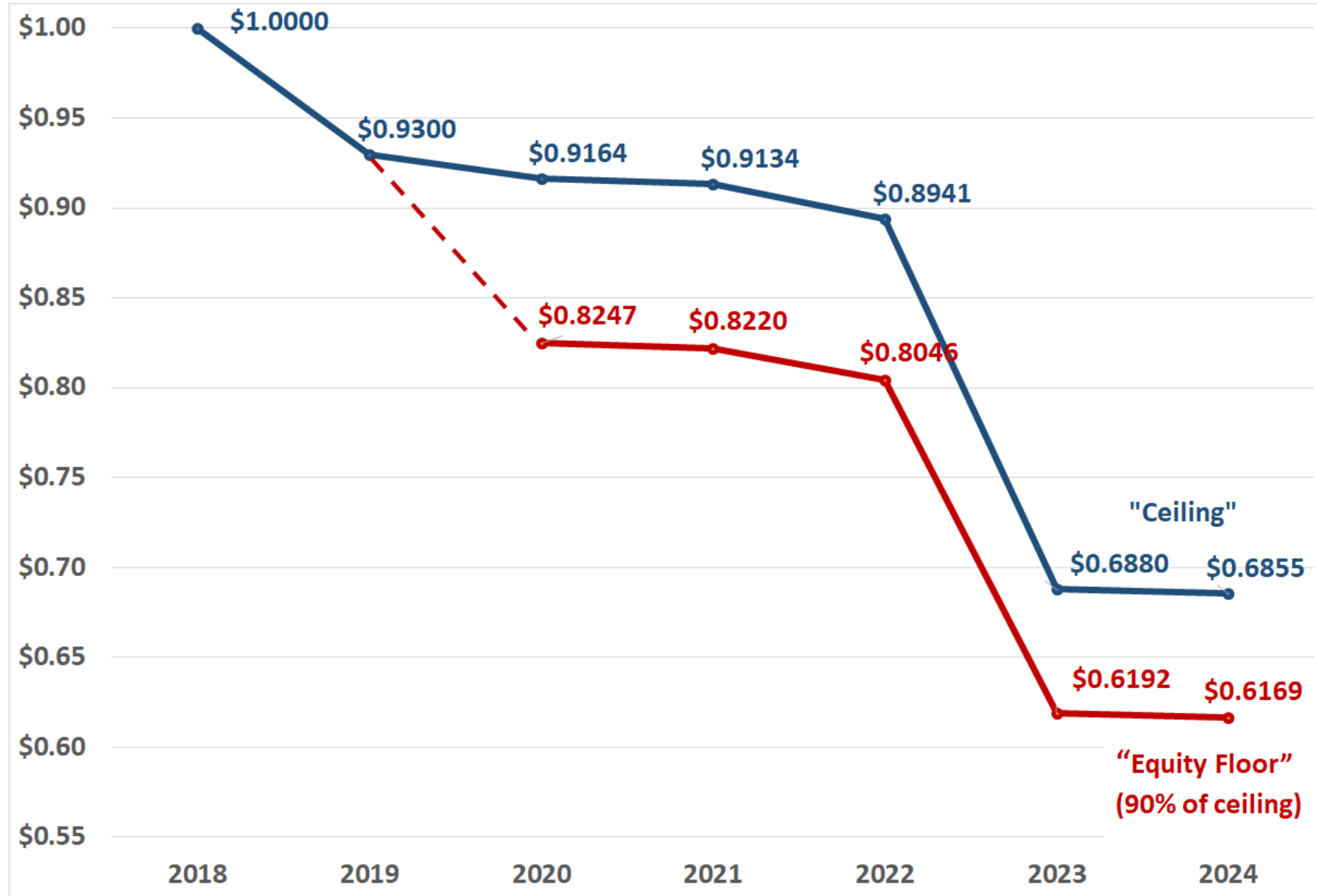
School Districts with Greatest Value Growth TY23 to TY24	MCR Without Equity Floor	Assigned MCR With Equity Floor	Unrealized Tax Rate Compression Due to Equity Floor
KNIPPA ISD ( <i>Uvalde Co.</i> )	\$0.2424	\$0.6169	\$0.3745
BUCKHOLTS ISD ( <i>Milam Co.</i> )	\$0.3094	\$0.6169	\$0.3075
MALONE ISD ( <i>Hill Co.</i> )	\$0.3754	\$0.6169	\$0.2415
LOCKNEY ISD ( <i>Floyd Co.</i> )	\$0.3795	\$0.6169	\$0.2374
ROGERS ISD ( <i>Bell Co.</i> )	\$0.4204	\$0.6169	\$0.1965
SHERMAN ISD ( <i>Grayson Co.</i> )	\$0.4335	\$0.6169	\$0.1834
FREER ISD ( <i>Duval Co.</i> )	\$0.4416	\$0.6169	\$0.1753
PENELOPE ISD ( <i>Hill Co.</i> )	\$0.4595	\$0.6169	\$0.1574
COAHOMA ISD ( <i>Howard Co.</i> )	\$0.4626	\$0.6169	\$0.1543
BRAZOS ISD ( <i>Austin Co.</i> )	\$0.4675	\$0.6169	\$0.1494

**\* \$0.6169 is the lowest tier 1 rate allowable to receive full state entitlement due to 90% “equity limit”**

# Number of Districts at “Ceiling” and “Floor” TY 2020 – TY 2024

	# at “Ceiling”	# in Between	# at “Floor”	Total
TY 2020	476	463	72	1,015
TY 2021	204	493	318	1,015
TY 2022	51	262	701	1,014
TY 2023	141	323	550	1,014
TY 2024	72	355	586	1,013

# Tax Rate Compression for Tax Years 2019-2024



-\$0.3145  
since 2019

-\$0.3831  
since 2019

# Tier 2 Enrichment Tax

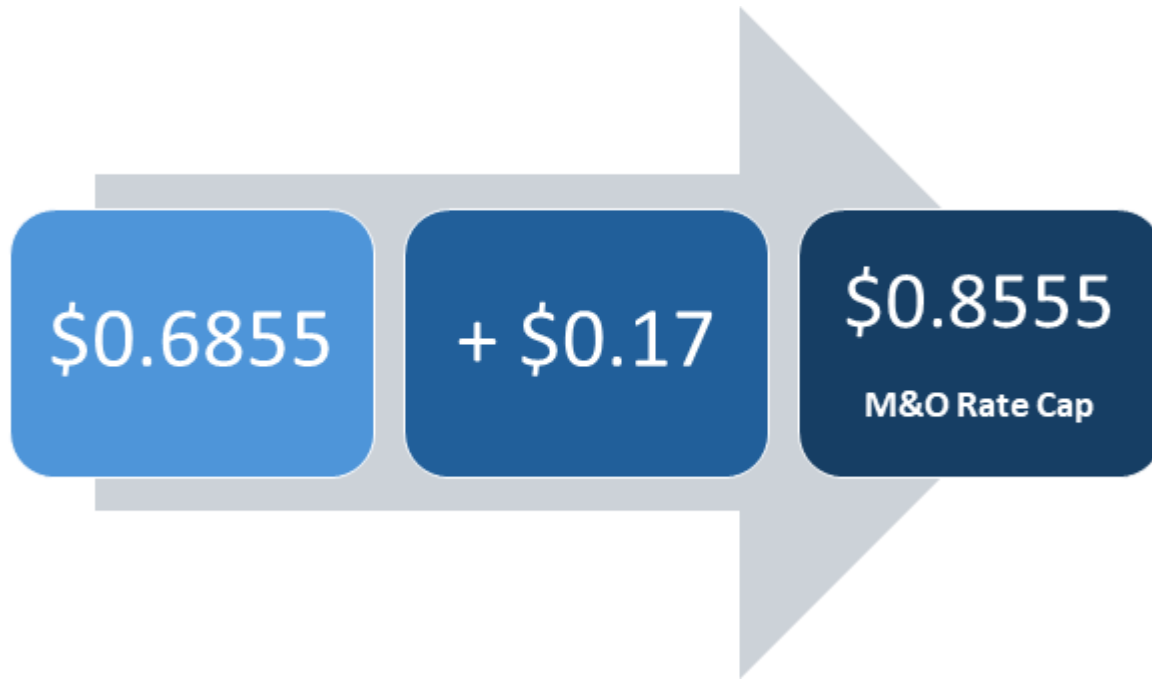
# Tier 2 Enrichment Tax

**Districts can levy additional \$0.17 M&O tax rate above maximum compressed rate:**

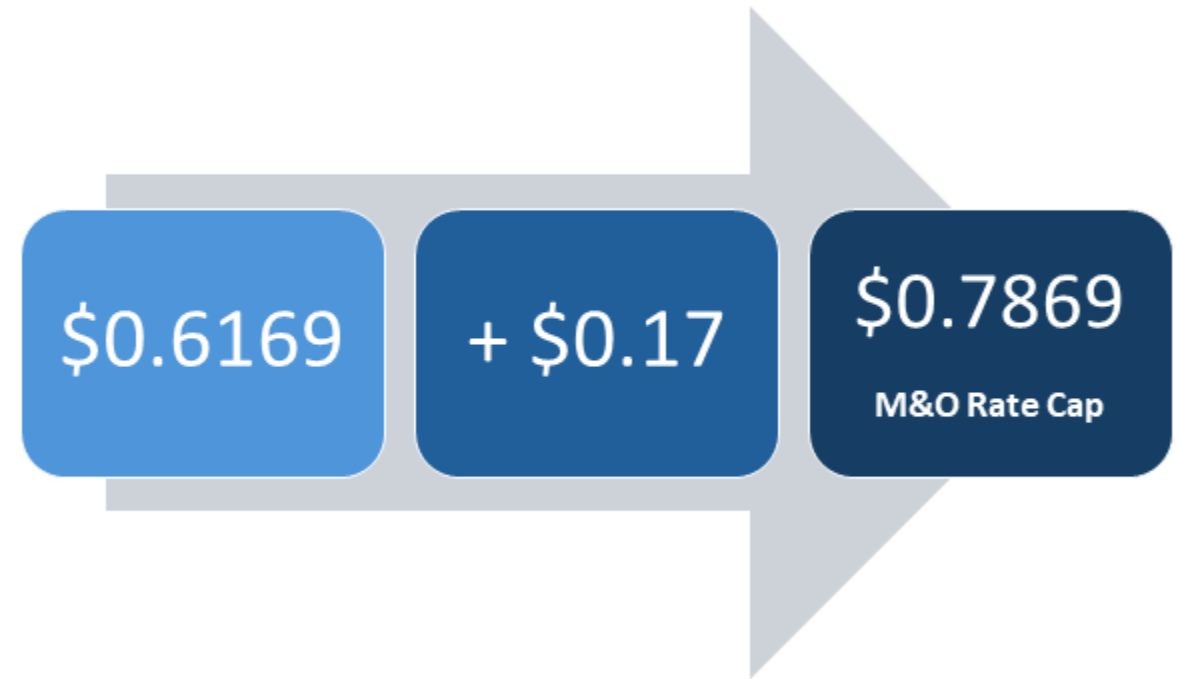
- Revenue raised by each penny is **equalized by the state** to provide equity.
- Revenue raised above the equalized guarantee is **not recaptured from the first 8 pennies but is recaptured from the next 9 pennies.**
- Total maintenance and operations tax rate cannot exceed **maximum compressed rate + \$0.17.**

# M&O Tax Rate Maximum - TY 2024

## “Ceiling” M&O Tax Rate Cap



## “Floor” M&O Tax Rate Cap



A law passed by the 53rd Legislature in 1953 authorized any school district in a county with a population of 700,000 or more to levy a combined M&O and I&S rate of up to \$2.00 if approved by the voters in the district. A few “**special law**” school districts that chose this option at that time are authorized to exceed \$0.17 enrichment.

# Tier 2 Enrichment Tax (cont.)

## “Golden Pennies”

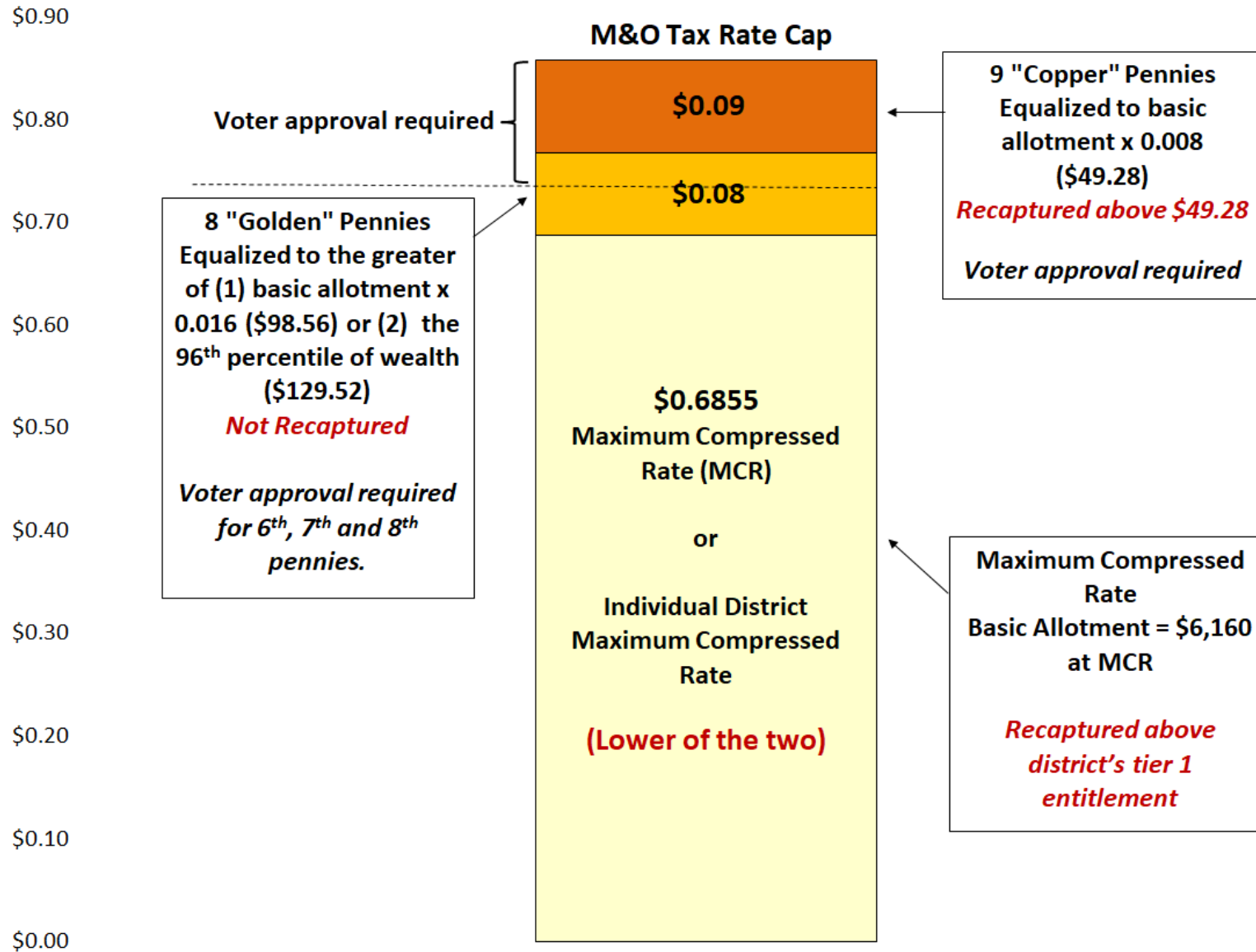
- First **\$0.08** above compressed rate
- Equalized to the **greater of**
  - 1) 0.016 x the basic allotment (**\$98.56**) or
  - 2) the yield per penny per weighted student in a school district at the **96th percentile** of wealth (**\$129.52**) in HB 1, 88<sup>th</sup> legislature).
- Revenue above that level **is not recaptured**.
- **6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> pennies require voter approval to access.**

## “Copper Pennies”

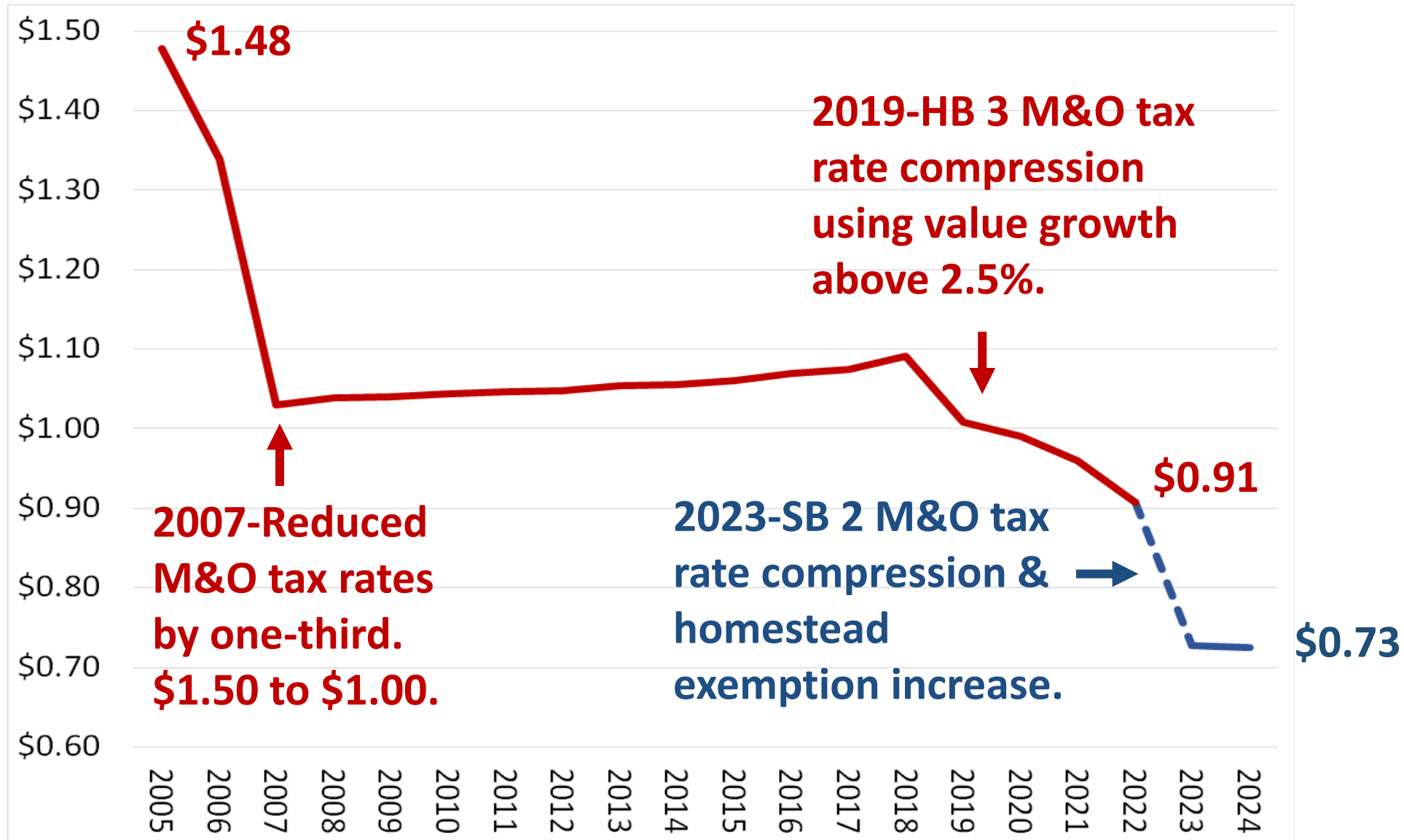
- Remaining **\$0.09** up to the M&O rate cap
- Equalized to **\$49.28** per penny per weighted student. Yield is linked to the basic allotment (0.008 x basic allotment) so that it will increase when the basic allotment is increased.
- Revenue above equalized level **is recaptured**.
- **All copper pennies require voter approval to access.**



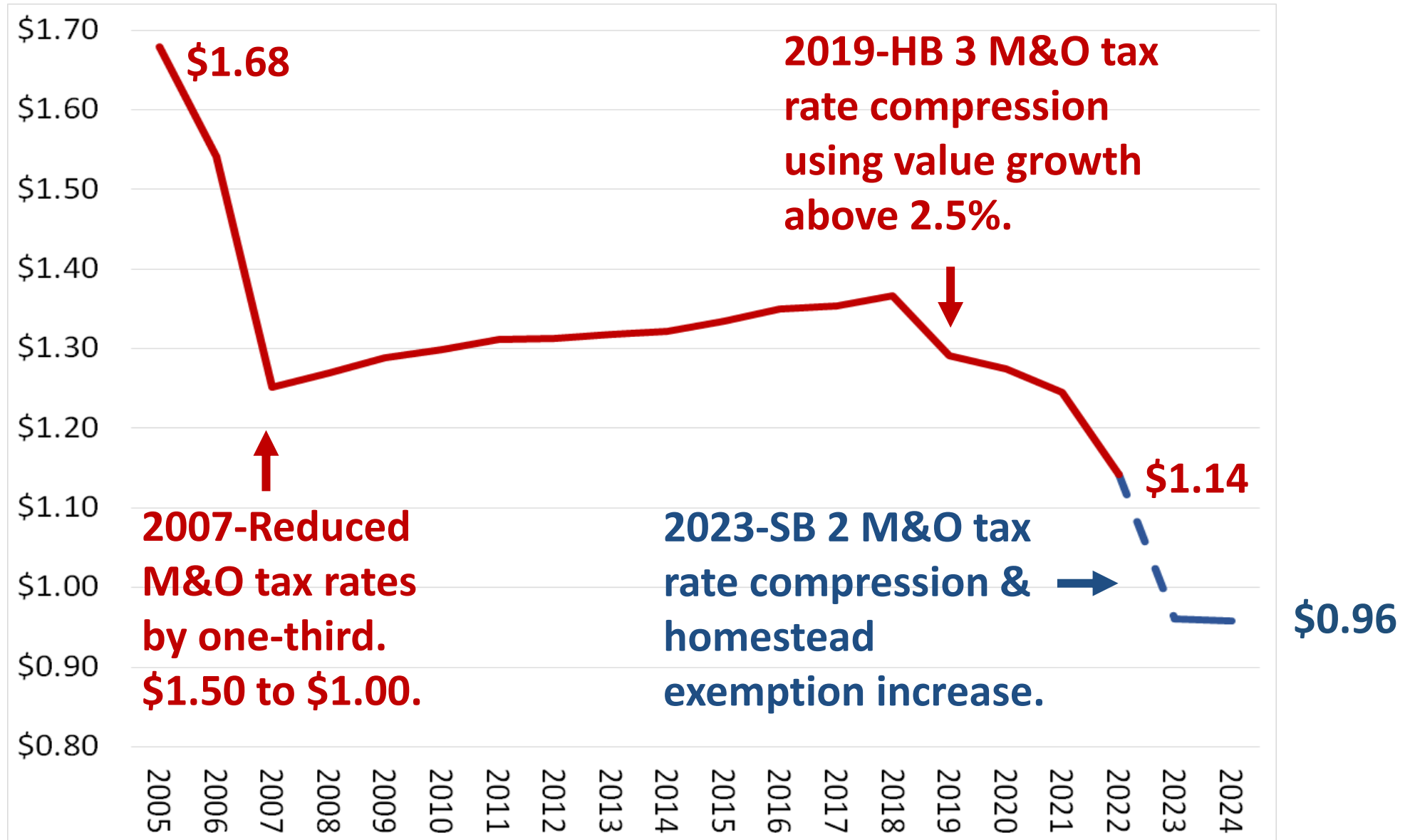
# Equalization/Recapture Levels 2024-25 School Year



# Average School District M&O Tax Rate TY 2005-2024



# Average School District **Total Tax Rate** TY 2005-2024





# Facilities

# Facilities

- **Existing Debt Allotment (EDA)**: State equalizes to **\$40** per ADA (or a lesser amount if allotment exceeds prior year by more than \$60 million) for up to \$0.29 I&S rate for bonds on which payments were made in the last year of the previous biennium.
  - 85<sup>th</sup> Legislature expanded the existing debt allotment program to provide \$60 million per year to charter schools based on the average statewide I&S rate.
- **Instructional Facilities Allotment (IFA)**: School districts must apply for funds; state equalizes to **\$35** per ADA.
  - Limited to the **lesser** of:
    - (1) Actual debt payment
    - (2) \$250 per ADA or \$100,000 (whichever is greater)

# Facilities (cont.)

- **\$434 million in state aid** was budgeted in the 2023-24 school year for facilities.
- **863 districts levied \$11.2 billion** in property tax for debt payments in 2023-24 school year.
  - Paid with Interest and Sinking Fund rate (I&S)
  - Voter approval required for debt
- Total of **\$11.6 billion** paid for school debt in 2023-24 school year.
- School district bond debt is \$130 billion. Permanent School Fund Bond Guarantee Program limit is \$218 billion, ensuring a AAA rating for school districts.

# “The \$0.50 Test”

- Before a school district can issue debt, it must illustrate to the Attorney General’s Office that it can service the new debt and all existing debt with a tax rate of **\$0.50 or less**.
- After the debt is issued and approved by the voters in the district **the rate can exceed \$0.50** if the district’s taxable value declines in subsequent years.
- **8 school districts** have an I&S rate that exceeds \$0.50.
- Range is **\$0.01 - \$0.68**.





# Voter Approval Tax Rate



# Voter-Approval Tax Rate

## Voter-Approval Tax Rate =

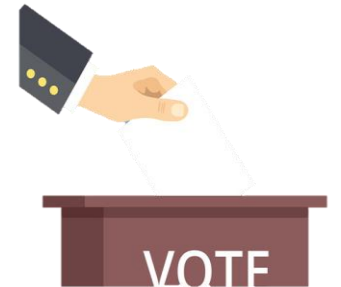
- 1) District's maximum compressed rate (**MCR**) [tier 1] for 2024
- + 2) Greater of: (a) district's prior year enrichment (tier 2) rate or (b) **\$0.05**
- + 3) Debt (I&S) Rate

### Tax Year 2023

\$0.69 tier 1 MCR  
+ \$0.05 enrichment  
+ \$0.20 debt rate  
\$0.94 Total Rate TY 2023

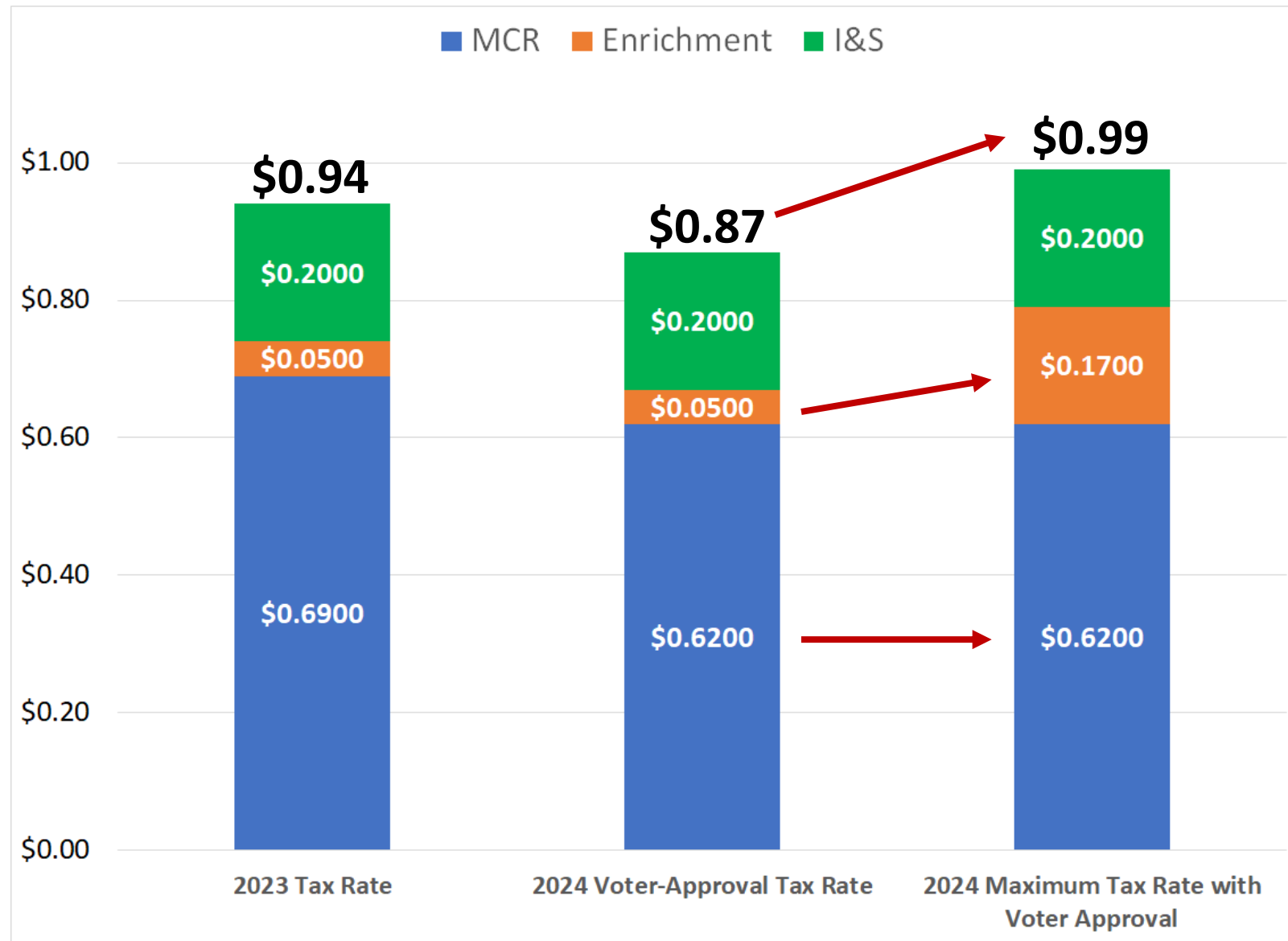
### Tax Year 2024

\$0.62 tier 1 MCR  
+ \$0.05 enrichment  
+ \$0.20 debt rate  
**\$0.87** Voter-Approval Rate 2024



**In this example, an election is required if adopted rate exceeds \$0.87**

# Maximum Tax Rate with Voter-Approval



I&S rate can increase to pay current debt service

# Voter Approval Tax Rate Ratification Election (VATRE)

- If a school board adopts a tax rate that **exceeds its voter-approval rate**, they **must call an election** so that voters can approve or reject the adopted rate.
  - Must have an **efficiency audit** done by an independent auditor before scheduling the election
  - Election must be held on a **uniform election date**
- If voters reject the rate, the voter-approval rate is the school district's tax rate for that year.
- Sec. 26.042(e) Tax Code **authorizes a district to exceed the voter approval tax rate without an election for a year following the year in which a disaster occurs** *"when increased expenditure of money by a school district is necessary to respond to a disaster and the governor has requested federal disaster assistance for the area in which the school district is located."*
  - **In the year following using the exemption, they must either reduce the rate to the voter-approval rate or hold an election to maintain the higher rate. Efficiency audit is waived.**

# 2025 Tax Rate Adoption Deadlines

**Aug. 21** - Deadline to **order a Voter-Approval Tax Rate Election (VATRE)** if they adopt a rate that exceeds voter-approval rate (**78<sup>th</sup> day before election day**)

**Sept. 30** - Deadline to **adopt a tax rate if not conducting a VATRE** (**or 60 days after appraisal roll is received if later**)

**Nov. 4** – Date of Tax Ratification Election; **uniform election date**

# 2023 Enrichment Tax Rate Distribution

# Districts	Enrichment Tax Rate
8	Less than \$0.05
319	\$0.05
123	\$0.06-\$0.07
31	\$0.08
487	\$0.09-\$0.16
45	\$0.17
1,013	

**960 (95%)  
school districts  
must hold an  
election to  
increase M&O  
tax rate**

# No-New-Revenue Tax Rate

**No-New-Revenue Tax Rate** = Rate that will generate the same amount of total M&O state and local revenue per ADA that the school district generated in the previous year and the amount necessary to pay debt service. (Tax Code Sec. Sec. 26.012(18)(b))  
Amended by HB 4456, 88<sup>th</sup> legislature.

- School districts must calculate and publish in Notice of Public Meeting to Discuss Budget and Proposed Tax Rate. (Educ. Code Sec. 44.004)
- Requires **60% of the school board** to vote to adopt a rate that exceeds the NNR Rate.



# Recapture ("Robin Hood")

Local Revenue in Excess  
of Entitlement

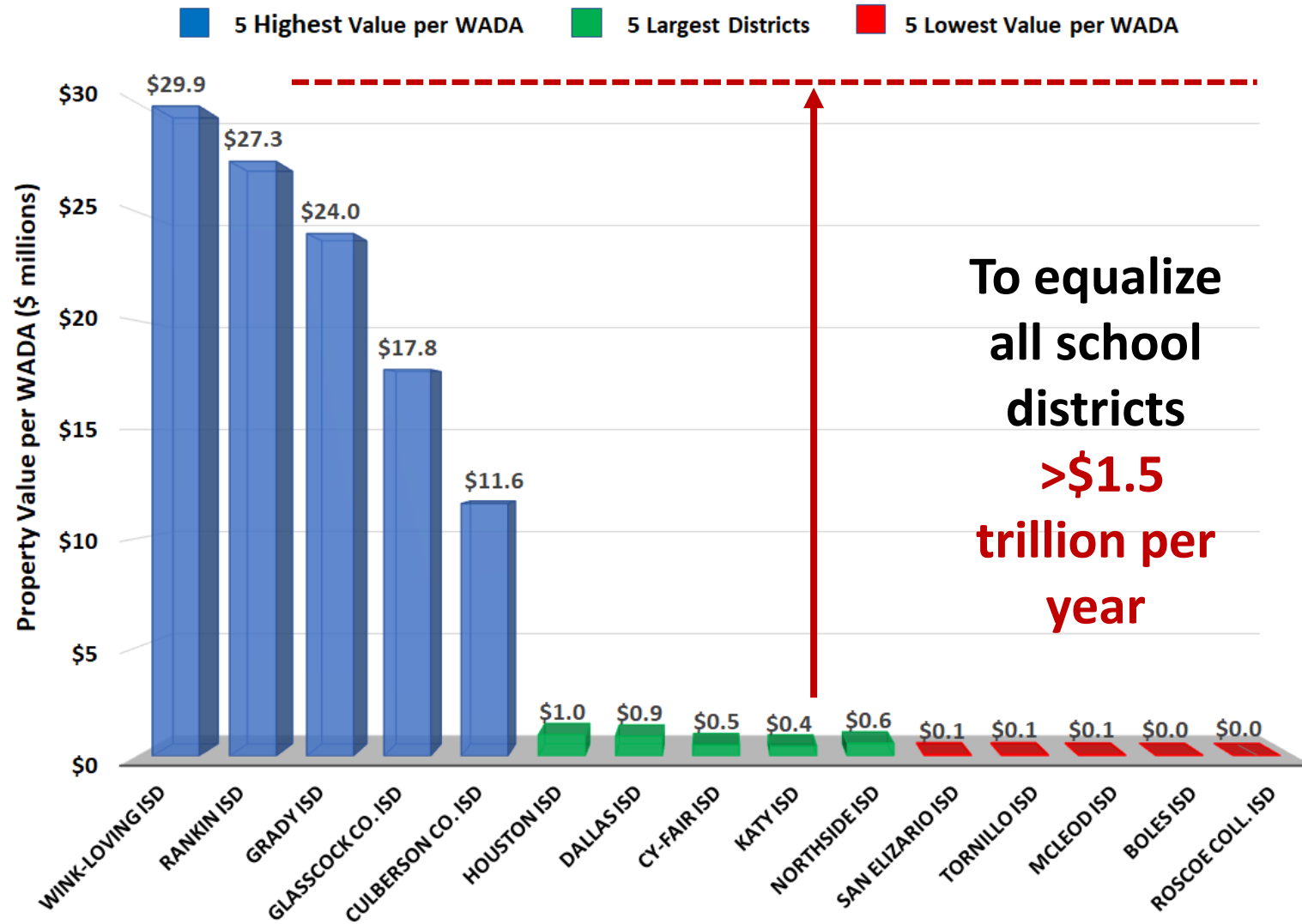
**Why does the  
state recapture  
local property  
tax from some  
school districts?**



# 2023-24 Property Value per Weighted Student

**\$29.9 million  
Per WADA**

**Value  
differential  
of 983:1**



**To equalize  
all school  
districts  
>\$1.5  
trillion per  
year**

**\$30,375  
Per WADA**

Data Source: Texas Education Agency

# Texas Supreme Court Rulings

- *“There must be a direct and close correlation between a district’s tax effort and the educational resources available to it; in other words, **districts must have substantially equal access to similar revenues per pupil at similar levels of tax effort.**”*

Texas Supreme Court, Edgewood I, October 2, 1989

- *“To be efficient, **a funding system that is so dependent on local ad valorem property taxes must draw revenue from all property at a substantially similar rate.**”*

Texas Supreme Court, Edgewood II, January 22, 1991

- *“Our basic framework for deciding this issue has not changed since Edgewood I, where we held that **‘districts must have substantially equal access to similar revenues per pupil at similar levels of tax effort.’**”*

Texas Supreme Court, Morath vs. Texas Taxpayer and Student Fairness Coalition et. al, May 13, 2016

**\*In 2016 the Supreme Court also stated that unless the legislature makes choices that are arbitrary and unreasonable, they will defer to the legislature on school finance matters in the future.**

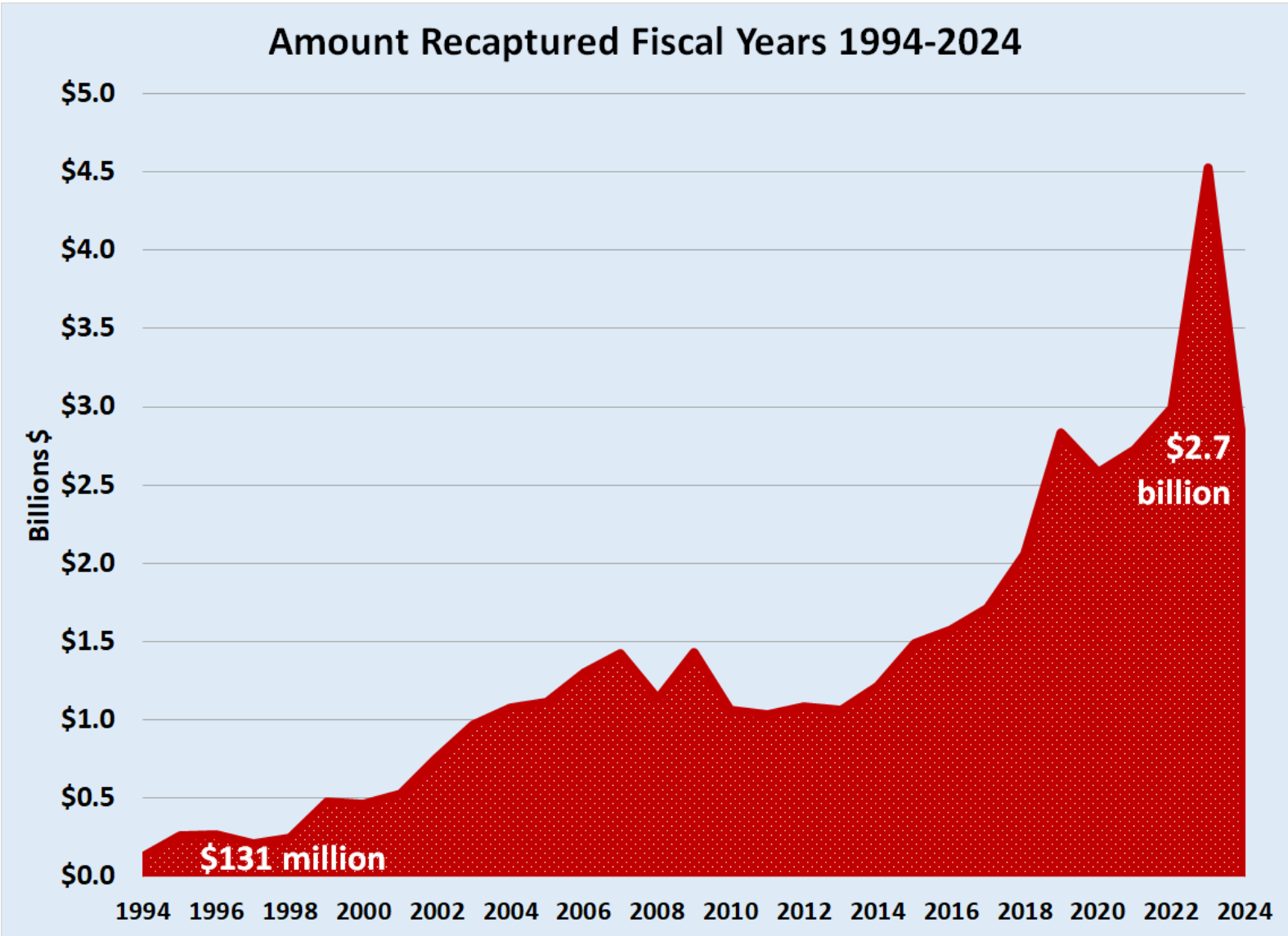
# Recapture (“Robin Hood”)

- In response to *Edgewood II*, legislature passed SB 351 in 1991 which created **188 “County Education Districts (CED’s)”** to consolidate tax bases and redistribute M&O revenue within county lines and if necessary with neighboring counties.
- Legislature set rate for CED’s at **\$0.72** for 1<sup>st</sup> year, \$0.82 for 2<sup>nd</sup> year, \$0.92 for 3<sup>rd</sup> year, then finally **\$1.00**. School districts taxed above this level to a combined maximum of \$1.50.
- School districts filed suit claiming CED tax was a **state property tax**. Upheld by Texas Supreme Court in 1992 (*Edgewood III*).
- Legislature put CED’s on the ballot for approval in 1993. **Voters rejected the proposition.**

# Recapture (“Robin Hood”) cont.

- Current system was put in place in 1993 in response to failure of the proposition legalizing the CED’s.
- Districts have five options to reduce their local **maintenance and operations** revenue level.
  1. **Consolidate** with another school district
  2. **Detach property** to another school district
  3. **Purchase “attendance credits”** from the state (*voter approval*)
  4. **Contract with another district** to educate students (*voter approval*)
  5. **Consolidate tax bases** with another district
- Almost all school districts choose option 3.
  - ✓ Can make equal payments Feb 15 - Aug 15 or one payment by Aug 15.
- If a school district refuses to comply, the Commissioner has the authority to consolidate the district or detach business property to another school district.

# Recapture 1994 - 2024



Data Source: Texas Education Agency

# Estimated Recapture 2023-24 School Year

## Top 6 Districts **By Amount** Recaptured - High to Low

School District	Local M&O Collections (Billions)	Recapture Amt (Billions)	% Recaptured
Austin ISD	\$1.349	<b>\$0.660</b>	49%
Pecos-Barstow-Toyah ISD	\$0.257	<b>\$0.197</b>	77%
Wink-Loving ISD	\$0.175	<b>\$0.138</b>	79%
Plano ISD	\$0.561	<b>\$0.134</b>	24%
Midland ISD	\$0.321	<b>\$0.091</b>	28%
Eanes ISD	\$0.159	<b>\$0.090</b>	57%
		<b>\$1.310</b>	<b>49% of \$2.7b</b>

# Estimated Recapture 2023-24 School Year

## Top 6 Districts **By %** of Revenue Recaptured - High to Low

School District	Local M&O Collections (Billions)	Recapture Amt (Billions)	% Recaptured
Glasscock County ISD	\$0.063	\$0.052	<b>83%</b>
Grady ISD	\$0.071	\$0.059	<b>83%</b>
Rankin ISD	\$0.111	\$0.091	<b>82%</b>
Westhoff ISD	\$0.008	\$0.006	<b>81%</b>
Wink-Loving ISD	\$0.175	\$0.138	<b>79%</b>
Pecos-Barstow-Toyah ISD	\$0.257	\$0.197	<b>77%</b>
		<b>\$0.543</b>	<b>20% of \$2.7b</b>



# Charter Schools



# Charter Schools

- **Authorized in 1995** in a re-write of Education Code.
- Applications are submitted to the Commissioner of Education.
  - State Board of Education can vote not to grant a charter
- Charter schools cannot levy a property tax; no local share.
- Maximum of **305** open-enrollment charters may be granted.
  - **Currently 197 charter holders**
- **404,089 students** attend charter schools.

# Charter School Funding

- Receive **Tier 1 funding** from the state as if they were school districts without a local share.
- Receive a **stand-alone small & mid-sized district allotment** based on an adjusted weighted average of the amounts provided to school districts statewide.
- **Enrichment funding** is based on the statewide average number of golden and copper pennies at the same guaranteed yield provided to school districts.
- Charters in good standing qualify for **EDA facilities funding** based on the average statewide I&S rate; limited to \$60 million per year.

# Thanks for Joining Us!

If you have any questions, please feel free to contact TTARA staff.

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