

September 15, 2015

TO THE ADMINISTRATOR ADDRESSED:

Subject: 2015–2016 Preliminary *Summary of Finances*

A preliminary *Summary of Finances (SOF)* report for the 2015–2016 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 House Bill 1, Senate Bill 1, and House Bill 7, 84th Texas Legislature, 2015, and provides information on the data we used in this *SOF*.

Formula elements that have been revised include:

- an increased basic allotment (from \$5,040 in 2014–2015 to \$5,140 in 2015–2016),
- an increased equalized wealth level in Tier I (from \$504,000 in 2014–2015 to \$514,000 in 2015–2016),
- an increased guaranteed yield for Tier 2 level 1 (from \$61.86 to \$74.28), and
- a preliminary available school fund rate of \$176.437.

New Instructional Facilities Allotment (NIFA): Senate Bill 1 includes funding for NIFA awards. NIFA provides an allotment of \$250 per student in average daily attendance (ADA) to eligible school districts and charter schools to pay for operational expenses associated with opening new instructional facilities. To qualify for awards this year, instructional facilities must be occupied for the first time during the 2015–2016 school year. 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 was August 15. Program information can be found on the [NIFA](#) web page. These allotments will be incorporated into the State Aid Reports later this fall.

Adjustment to Compressed Tax Rate for Certain School Districts: House Bill 7 allows the TEA to adjust compressed tax rates (CTRs) in school districts that had a 2005 tax rate for maintenance and operations that was below \$1.50 per \$100 in valuation. Qualifying districts must have requested that we make this adjustment by September 1 for the adjustment to affect the Legislative Payment Estimate (LPE) funding cycle for the 2015–2016 school year. We recommend that districts use state aid templates to evaluate the impact of the adjustment before submitting a request. More information about requesting an adjustment to the CTR is in a letter to the administrator addressed dated July 2, 2015, posted on our [TEA Correspondence](#) web page. An FAQ on this topic is also available on our [School District Tax Policy and Reports](#) web page.

Additional Homestead Exemption Hold Harmless: Senate Bill 1 provides for an additional \$10,000 homestead exemption. To become effective, a constitutional amendment must be passed by Texas voters in the November election. This bill requires the TEA to use a revised

2014 property value in state aid calculations and to provide additional hold-harmless assistance if the revised property value does not deliver sufficient funding to school districts. TEA will revise state aid calculations and update the *SOF* report once revised property values are available from the Comptroller's Property Tax Assistance Division (PTAD) if the constitutional amendment passes.

The following paragraphs provide information about the format and data we used in the 2015–2016 *SOF* report, including planned updates.

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 2015–2016 *SOF*, and a spreadsheet showing payment class for all districts can be found on the [TEA website](#) under resources.

Charter Schools: A charter school's schedule of payments is simply broken up into 12 equal monthly payments. House Bill 2251, 84th Texas Legislature, 2015, provides charter schools that have experienced a 10% or greater growth in enrollment with the option of an accelerated FSP payment schedule beginning in the 2015–2016 school year. More information regarding eligibility and how to request an accelerated payment schedule is provided in a letter to administrators dated July 6, 2015, posted on our [TEA Correspondence](#) web page.

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 Foundation School Program (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 2015 student 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 2015 Public Education Information Management System (PEIMS) enrollment data become available in March 2016. These are adjusted again in September 2016 with final attendance data. We will use the September 2016 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 actually 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.

2014 State-Certified Property Value: The state-certified property value used in the LPE column of this *SOF* is the final 2014 property value assigned by the Texas Comptroller's Property Tax Assistance Division (PTAD). This value has not been adjusted to reflect the additional \$10,000 homestead exemption provided for in Senate Bill 1. We will update the *SOF* as necessary to include any adjustments for the homestead exemption provided under Senate Bill 1 once it becomes available if the constitutional amendment authorizing the exemption passes in the November election.

2015 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 current 2014–2015 DPE tax collections increased by 4.56 percent. This was the growth factor used in the appropriations process for the current biennium. M&O tax collections will be updated to reflect estimated reductions as a result of implementing the increased homestead exemption if the voters approve the constitutional amendment in November. 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 2015–2016 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 2016.

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

Instructional Facilities Allotment (IFA) and 2015 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.

2015 Estimated I&S Tax Collections: For this preliminary *SOF*, the 2015–2016 interest and sinking fund (I&S) tax collections figure is based on your district's 2014–2015 budgeted I&S collections submitted to the PEIMS. These collections will be updated in fall 2015 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 2014–2015 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 2015–2016 school year. These allotments will be updated later this fall with data from the Municipal Advisory Council (MAC) on bond payments for the 2015–2016 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 Allotment: The transportation allotment is based on your school district's current estimated 2014–2015 transportation allotment.

Per Capita Rate: A rate of \$176.135 multiplied by the prior-year ADA is used to estimate the per capita allotment. The rate is subject to change during the fiscal year.

2015–2016 State Aid Template:

School Districts: Links to the 2015–2016 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 2015–2016 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 2015–2016 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,

Amanda Brownson
Director of State Funding

State Funding Division Contact Information:

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**State Compensatory Education, Optional Flexible Year Program,
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