

Funding Weights & Allotments

Texas Commission on Public School Finance

Expenditures Working Group

TEXAS EDUCATION AGENCY

JUNE 6, 2018

Agenda

WEIGHTED CATEGORIES (M&O)

Bilingual Education

Career and Technology

Gifted and Talented

Public Education Grant Allotment

High School Allotment

New Instructional Facility Allotment

DISTRICT ADJUSTMENTS (M&O)

Small District Adjustment

Midsize District Adjustment

Sparsity Adjustment

FACILITIES ALLOTMENTS (I&S)

Instructional Facilities Allotment

Existing Debt Allotment

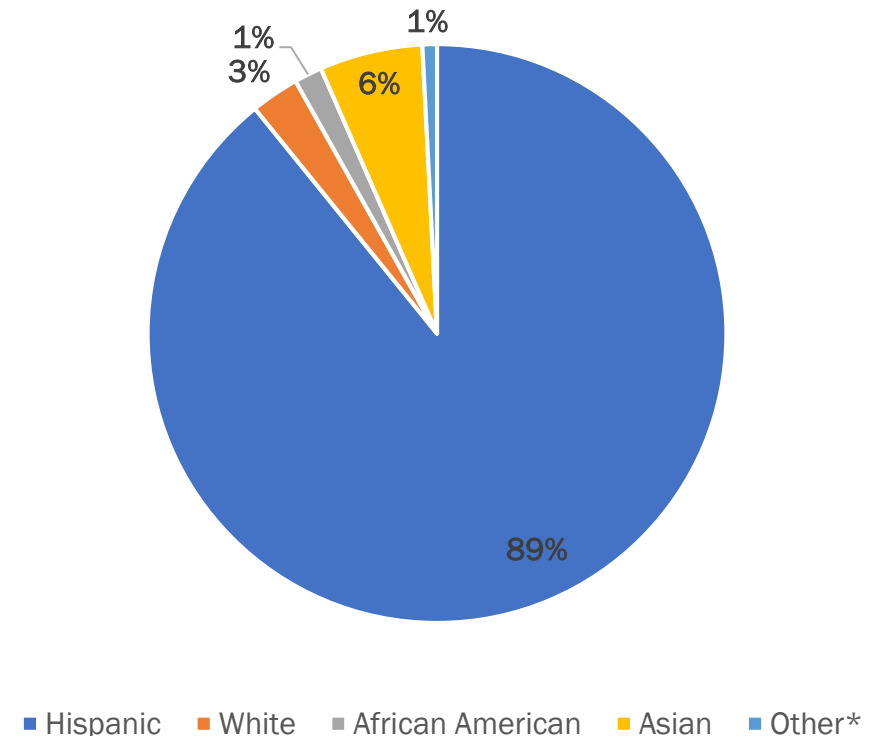
Bilingual Education Allotment (TEC §42.153)

weight, student demographics, and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Bilingual Education	0.10

- Students who are identified as English learners and are participating in a special language program are eligible for weighted funding.
- There is no differentiation in funding for bilingual or ESL program models.
- Additional bilingual weighted funding is not provided for native English speakers voluntarily participating in dual language programs.

English (Language) Learner Demographics



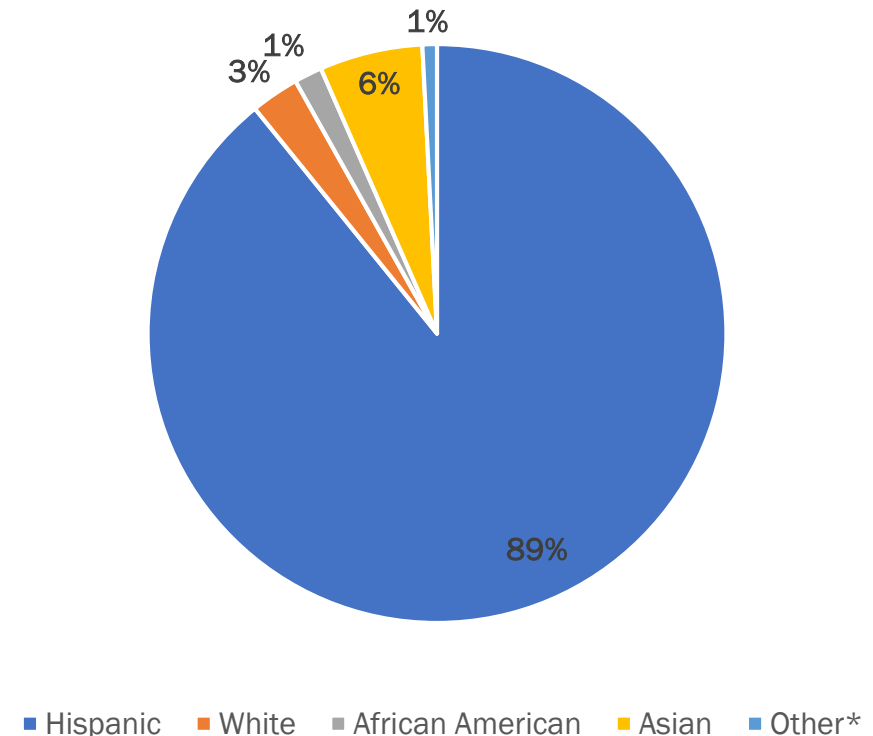
Bilingual Education Allotment (TEC §42.153)

weight, student demographics, and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Bilingual Education	0.10

- In FY2018, total Bilingual Education allotment is estimated at over \$505 million.
- Bilingual Education has a minimum direct spending requirement of 52%.
- Bilingual Education is funded on an average daily attendance (ADA) basis.
- Bilingual Allotment = $\text{Adjusted Allotment} \times 0.10 \times \text{Bilingual ADA}$

English (Language) Learner Demographics



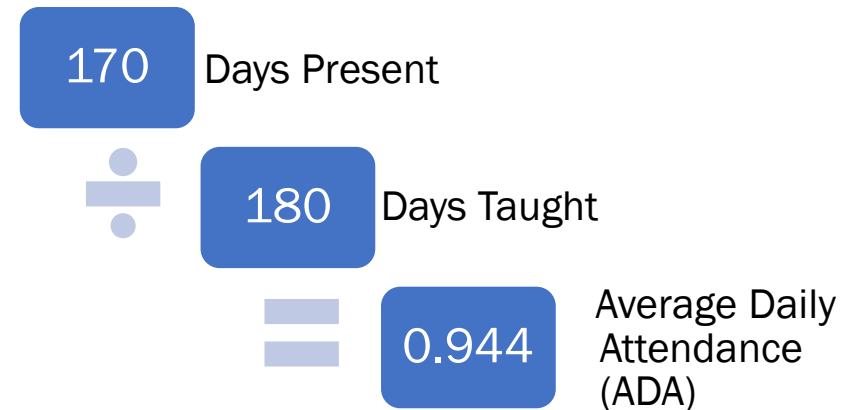
Refresher: Average Daily Attendance (ADA)

The Average Daily Attendance is the average attendance of students for the school year.

Simply put, $ADA = \text{Days Present} \div \text{Days Taught}$ (days open for instruction)

Example: Johnny was present for 170 of the 180 days a campus was open for instruction.

*Johnny's ADA = 0.944 (This will be used to calculate the regular program allotment). **



Refresher: Contact Hours (CTE Example)

Days Present must be converted to contact hours. The amount of assigned contact hours varies by instructional arrangement. Contact hours are the total eligible days present for that instructional setting multiplied by the corresponding contact-hour multiplier.

Contact hours for any one student receiving CTE services, for example, may not exceed six hours per day or 30 hours per week for funding purposes.

Contact Hours = Days Present X Contact Hour Multiplier

Johnny was enrolled in two CTE courses and was present for 170 days in the school year.

Johnny's Total Contact Hours = 340.

$$\begin{array}{rcl}
 170 & \text{Days Present} & \\
 \times & & \\
 2.0 & \text{CTE V2 Contact Hour Multiplier} & \\
 \hline
 340 & \text{Contact Hours} &
 \end{array}$$

Instructional Arrangement	Contact Hour Multiplier
V1	1.00
V2	2.00
V3	3.00
V4	4.00
V5	5.00
V6	6.00

Refresher: Full-Time Equivalents (FTEs)

(CTE Example)

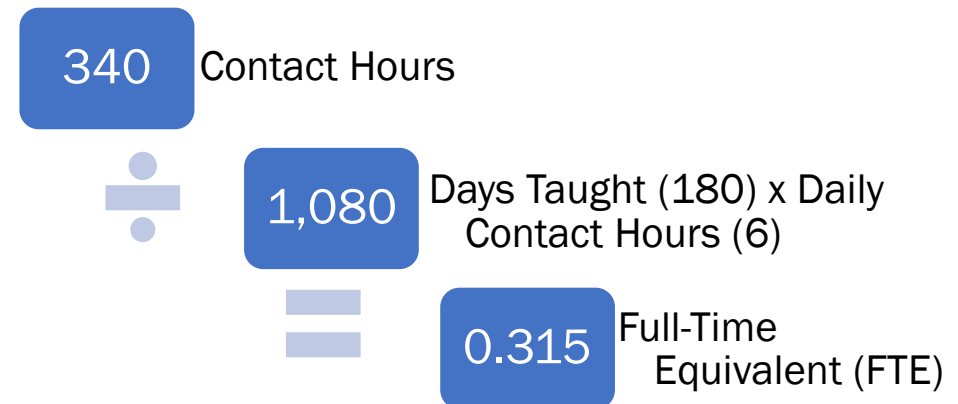
A Full-Time Equivalent is based on 30 Contact Hours per week between a student and career and technology program personnel. [See TEC Sec. 42.154(b)(2)].

$$\text{FTE} = \text{Contact Hours} \div (\text{Days Taught} \times \text{Daily Contact Hours (6)})$$

Johnny was enrolled in two CTE courses and was present for 170 days in the school year.

Johnny's Total Contact Hours = 340.

*Johnny's CTE FTE = 0.315**



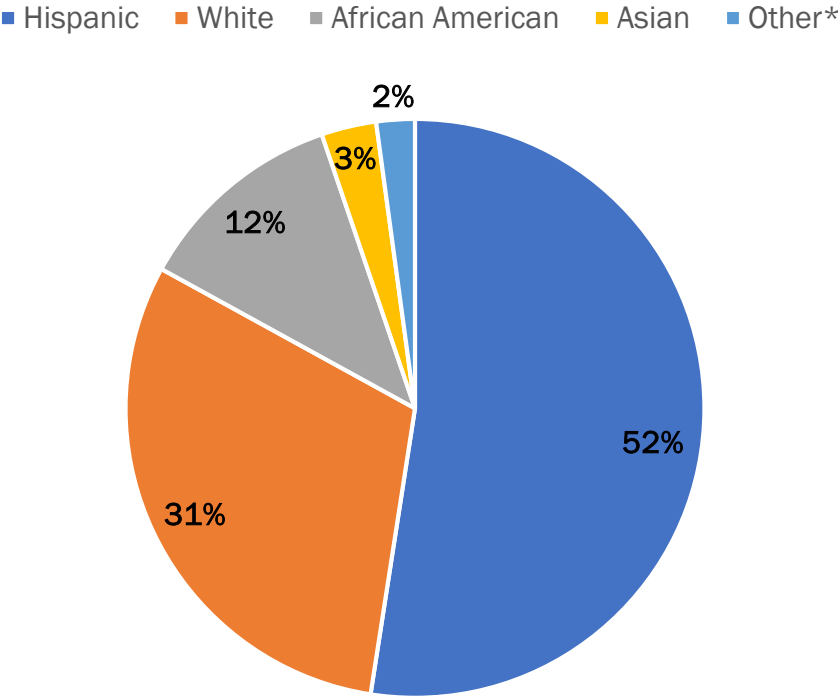
*The CTE FTE of 0.315 will be subtracted from the refined ADA of 0.944 when calculating the regular program allotment.

Career and Technology (CTE) Allotment (TEC §42.154) weights, student demographics, and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Regular Career and Technology	1.35**
Advanced Career and Technology (When student is enrolled in two or more advanced CTE classes)	\$50

- In FY2018, total Career and Technology Education allotment is estimated at over \$2.1 billion.
- Career and Technology has a minimum direct spending requirement of 58%.
- Career and Technology is also funded on a student FTE basis similar to special education.
- $CTE = (Adjusted\ Allotment \times 1.35 \times CTE\ FTE) + (\$50 \times CTE\ FTE)$

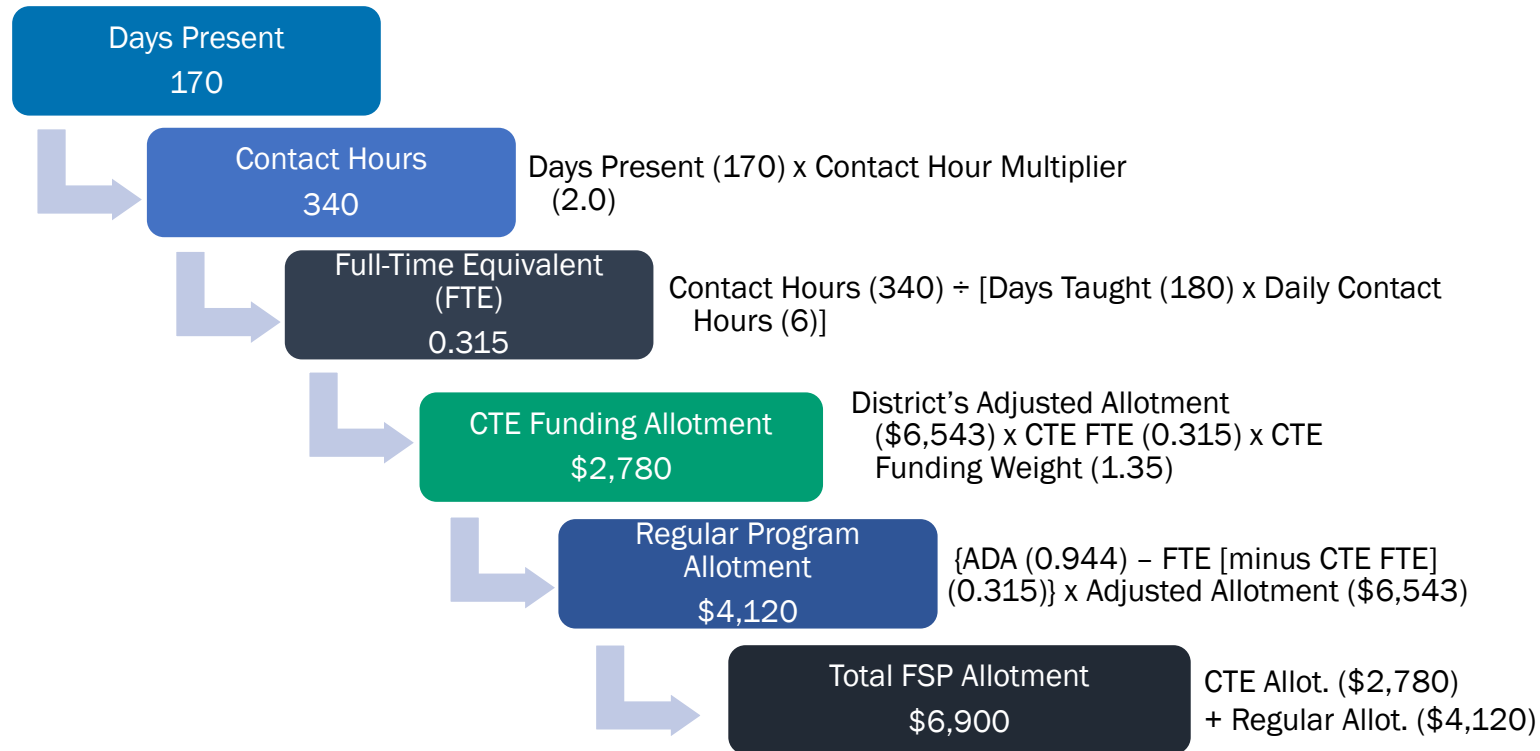
Career & Technology Student Demographics



**Along with Special Education FTEs, CTE FTEs are subtracted from ADA as part of the calculation of the regular program allotment.

*Other: includes American Indian, Pacific Islander, and Two or More Races

CTE Funding Example



Johnny was present for 170 of the 180 days taught this school year and was in a CTE instructional setting of “V2”

CTE “V2” has a Contact Hour Multiplier of 2.00.

Johnny's CTE Funding Allotment = \$2,780.
Johnny's Regular Funding Allotment = \$4,120.

Johnny's Total FSP Funding Allotment = \$6,900.

This amount is approximately \$720 more than what would be delivered for Jill, (Johnny's twin sister who is not in a CTE setting but had identical attendance):

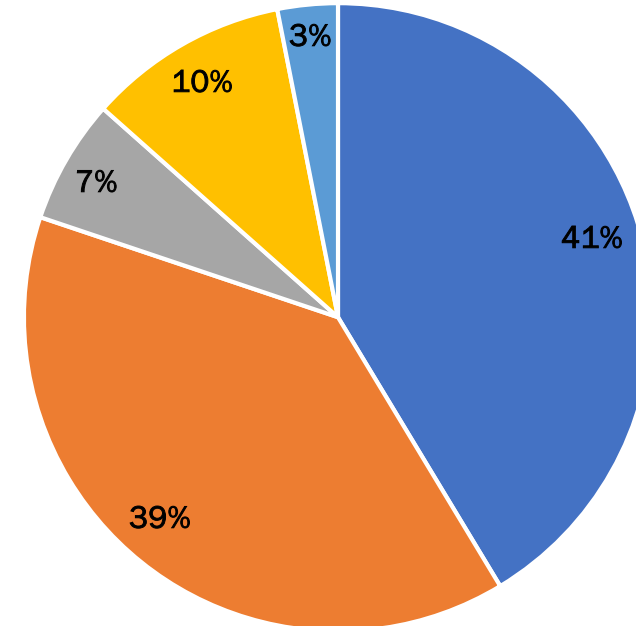
0.944 (ADA) x \$6,543 (Adjusted Allotment) = \$6,180

Gifted and Talented Student Allotment (TEC §42.156) weight, student demographics, and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Gifted and Talented	0.12

Gifted and Talented Demographics

■ Hispanic ■ White ■ African American ■ Asian ■ Other*

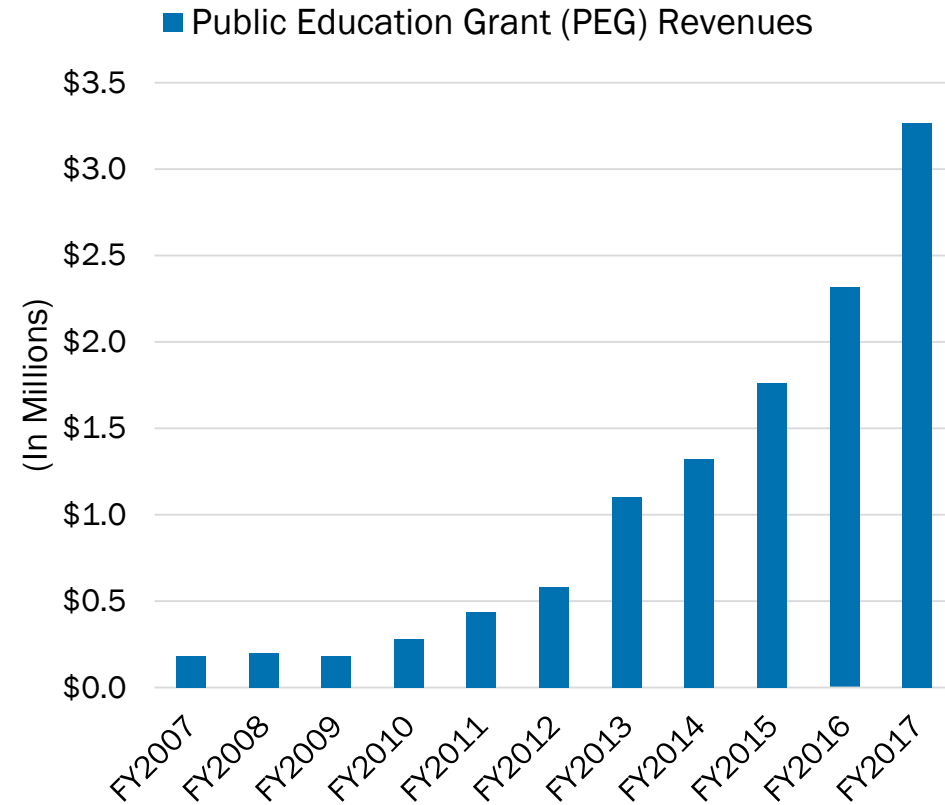


- In FY2018, total Gifted and Talented Student allotment is estimated at \$165 million.
- Gifted and Talented has a minimum direct spending requirement of 55%.
- Gifted and Talented funding is limited to five percent (5%) of a district's number of students in average daily attendance.
- GT Allotment = $\text{Adjusted Allotment} \times 0.12 \times \text{GT Enrollment (capped at 5\% of ADA)}$.

Public Education Grant Allotment (TEC §42.157) weight and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Public Education Grant	0.10

- In FY2017, total Public Education Grant (PEG) allotment was over \$3 million.
- PEG does not have a minimum spending requirement or its own assigned managerial accounting code, and thus expenditures are not captured separately.
- PEG Allotment = $\text{Adjusted Allotment} \times 0.10 \times \text{PEG ADA}$



High School Allotment (TEC §42.160)

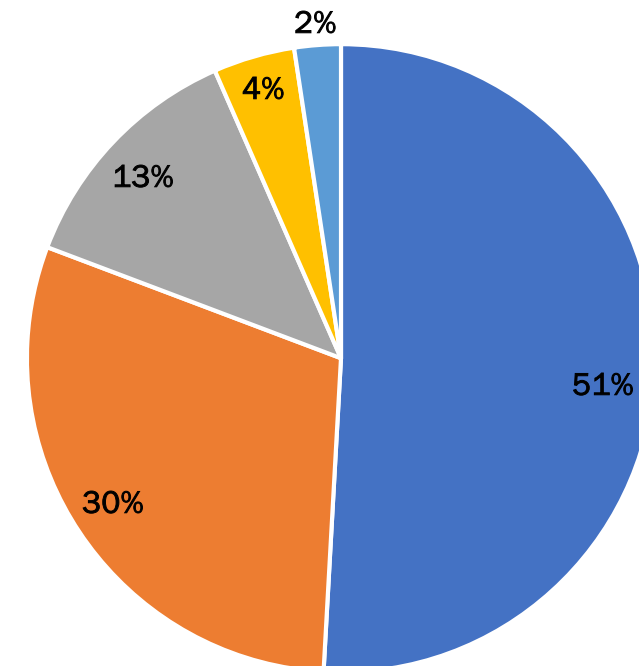
weights, student demographics, and other information

INSTRUCTIONAL SETTING	FUNDING WEIGHT
Students in Grades 9 - 12	\$275 per ADA

- In FY2018, total High School Allotment is estimated at nearly \$392 million.
- High School Allotment has a minimum direct spending requirement of 100%.
- High school allotment is funded on an average daily attendance (ADA) basis for all the students in Grades 9 through 12.
- High School Allotment = $HS\ ADA \times \$275$

High School Student Demographics

■ Hispanic ■ White ■ African American ■ Asian ■ Other*



New Instructional Facility Allotment (NIFA)

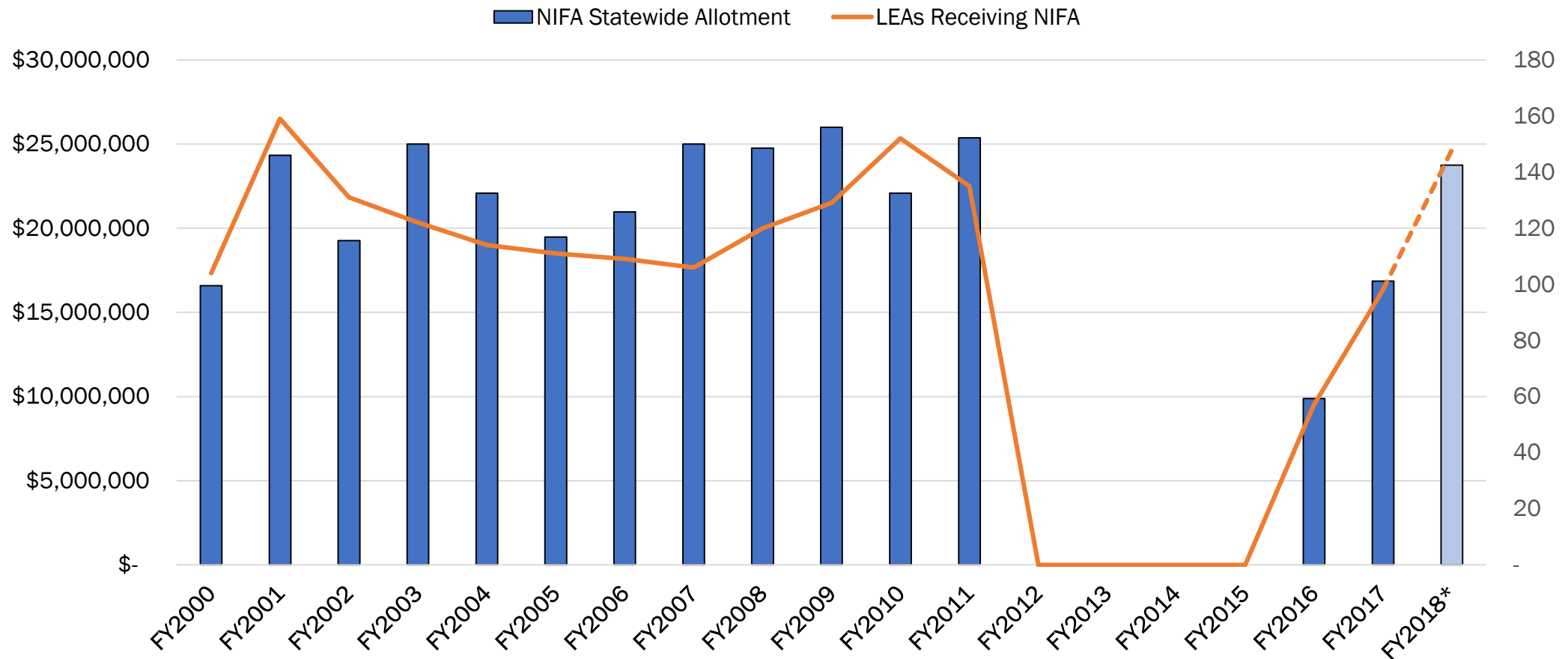
(TEC §42.158)

INSTRUCTIONAL SETTING	FUNDING WEIGHT
ADA on Eligible Campuses	\$1,000 per ADA

- This program was enacted by Senate Bill 4 of the 76th Legislature (1999). NIFA is not associated with funding for bonds or the associated debt payments.
- NIFA provides funding for operational expenses associated with the opening of a new instructional campus only for districts and charters.
- The program operates through applications, and is currently limited by appropriation.

- NIFA is currently limited to an annual statewide appropriation of \$23.75 million.
- In FY2018, total un-prorated NIFA is estimated at nearly \$114.5 million, with 71% of the funding for school districts and 29% of the funding for charter schools.
- Therefore the prorated allotment is estimated at **\$207 per ADA** for all eligible campuses.
- NIFA has no spending requirement.

NIFA has totaled nearly \$300 million since the inception of the program in FY2000



Small district and mid-size district adjustments

The small district and mid-size district adjustment provide for additional funding for some school districts.

The small district adjustment (SDA) applies to districts with less than 1,600 students and has two formulas that provide differing levels of funding:

- For districts < 300 square miles, $SDA^1 = (1 + ((1,600 - ADA) \times 0.00025)) \times \text{Adjusted Basic Allotment}$
- For districts > 300 square miles, $SDA^2 = (1 + ((1,600 - ADA) \times 0.00040)) \times \text{Adjusted Basic Allotment}$

The mid-size district adjustment (MDA) applies to districts with less than 5,000 students.

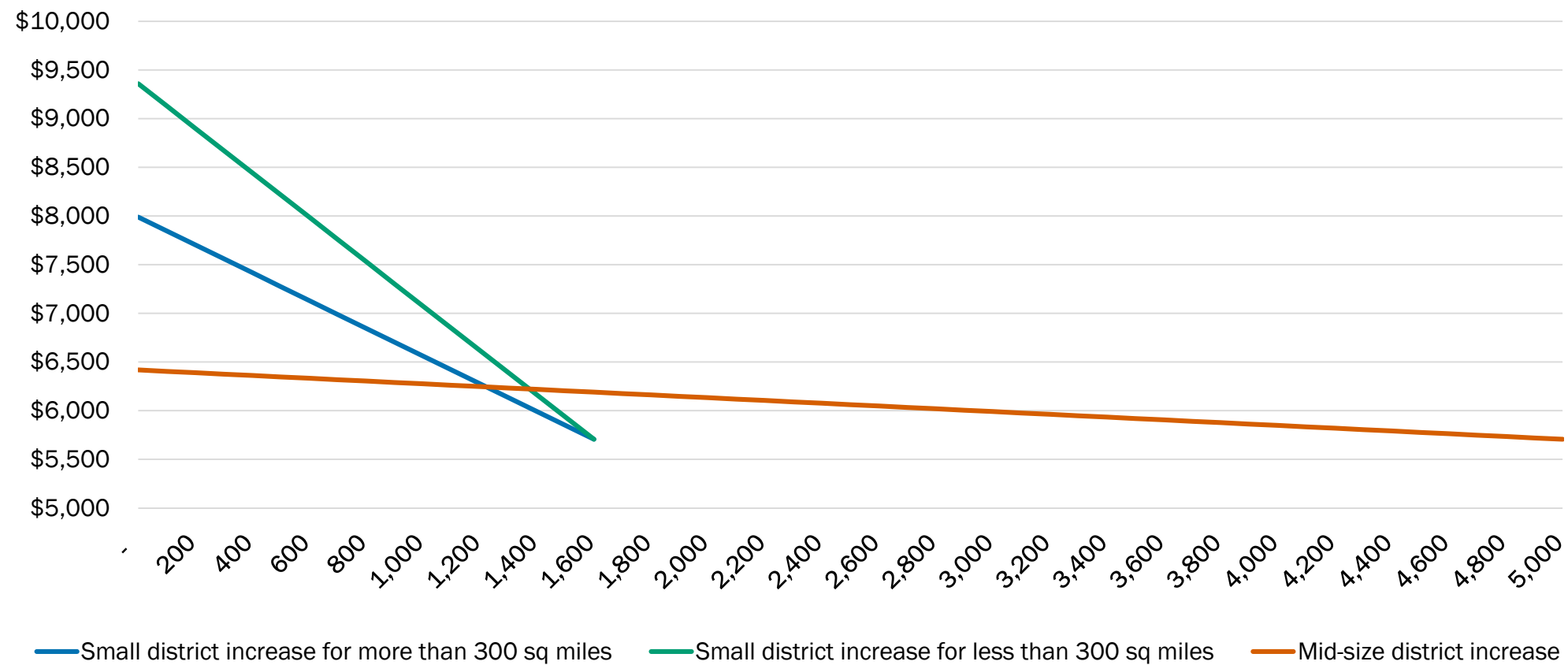
- $MDA = (1 + ((5,000 - ADA) \times 0.000025)) \times \text{Adjusted Basic Allotment}$

Small district adjustment and HB 21

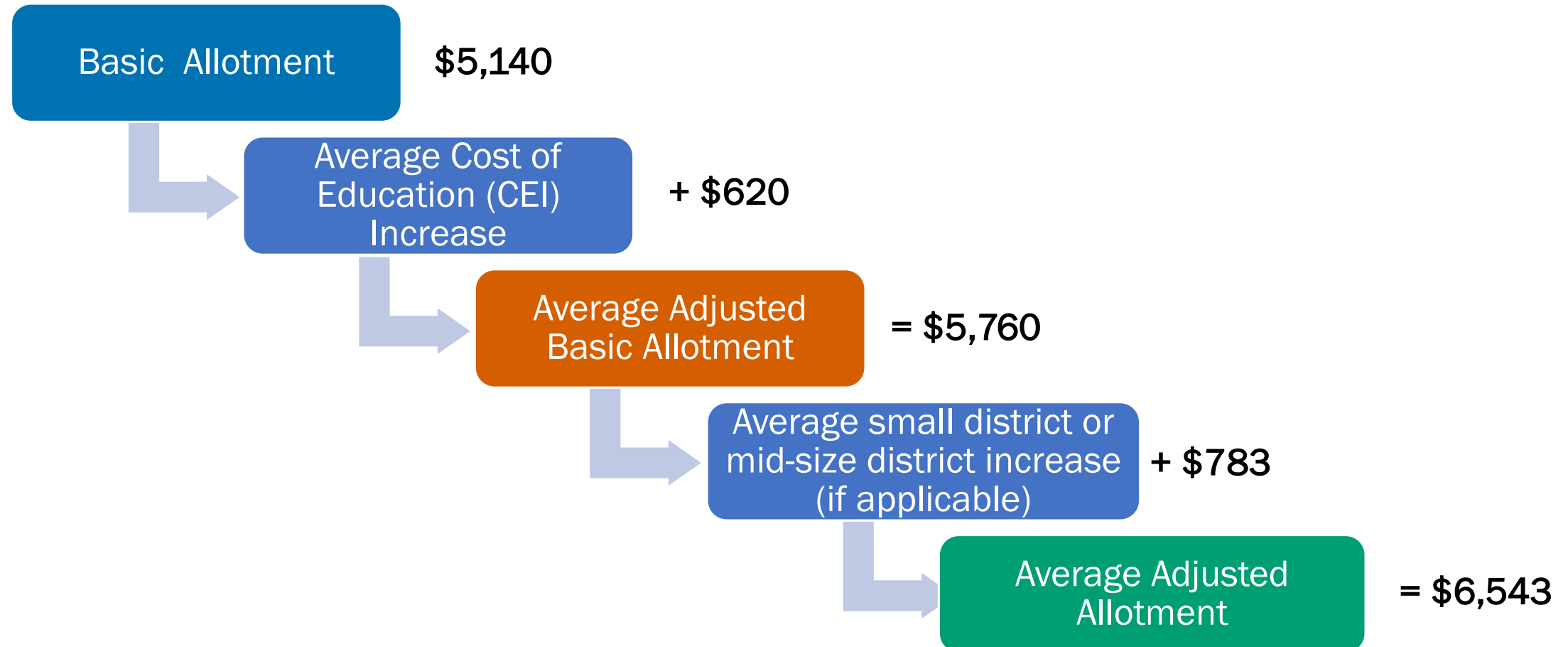
In 2017, House Bill 21 (85-1) created a six-year transition period to merge the two adjustments together. The transition period begins in FY2019 and by FY2024, there will only be one formula to govern all small-size districts, regardless of the number of square miles in the district. For districts with < 300 square miles, the adjustment factor will increase from 0.000025 (FY2018) to 0.00040 (FY2024).

Fiscal Year	SDA Factor		Fiscal Year	SDA Factor
FY2019	0.000275		FY2022	0.000350
FY2020	0.000300		FY2023	0.000375
FY2021	0.000325		FY2024	0.000400

“Per student” funding generated by the SDA and MDA formulas **decreases** as **ADA increases**



In Summary: How the Basic Allotment becomes the Adjusted Allotment



SDA and MDA Statistics

There are 626 districts receiving the **SDA**, with an **average increase of \$1,758 – or 33%** over each district's Adjusted Basic Allotment (ABA).

There are 242 districts receiving the **MDA**, with an **average increase of \$340 – or 6.3%** over each district's Adjusted Basic Allotment (ABA).

As a reminder, the Adjusted Basic Allotment is the dollar amount after the Cost of Education Index (CEI) adjustment is made but before the SDA and MDA are incorporated.

Statewide annual investment in the SDA and MDA is approximately **\$600 million** annually.

Sparsity Adjustment

An additional adjustment to ADA is made for districts with sparse student populations. This adjustment allows an inflated ADA figure to be used in calculations of a sparsely populated district's funding if that district meets certain requirements, as shown in the following table:

An ADA figure of:	if the district offers:	and either:	
		the prior or current year ADA is at least:	or the number of miles to the nearest district with a high school is at least:
130 ADA is used	grades K–12	90	30
75 ADA is used	grades K–8	60	30
60 ADA is used	grades K–6	40	30
130 ADA is used	grades K–4*	75	30

**K-4 sparsity adjustment is only available if district meets additional requirements as laid out in TEC Chapter 42*

Sparsity Adjustment

There are 60 districts receiving the Sparsity Adjustment, with an average increase of 28 students in average daily attendance.

The Minimum ADA resulting from the Sparsity Adjustment is used in the Small District and Mid Sized District Calculations, and is also used to calculate the Regular Program Allotment

The statewide annual investment in the Sparsity Adjustment is approximately \$15 million.

Sparsity Adjustment Example

A K-12 district has actual ADA of 91, which might normally receive a Regular Program Allotment of \$832,663 (assuming an adjusted allotment of \$9,150)

However, the Sparsity Adjustment allows for the substitution of 130 ADA in the formulas, so the district instead receives \$1,177,947 (130 x \$9,061 adjusted allotment*)

Assuming, the district is less than 30 miles to the nearest high school, should the district ever fall below the 90 ADA threshold for two years in a row, the district would lose the sparsity adjustment (worth roughly \$345,000 in this example).

*The small increase in ADA (130 vs 100) due to the sparsity adjustment causes a slight decrease in the adjusted allotment resulting from the small district adjustment formula.

Facilities Funding

In Texas, school districts can adopt interest & sinking (I&S) tax rates up to **\$0.50** cents to generate revenue used to fund the annual debt service payments associated with bonds that are typically issued for the construction of facilities as well as for other legal, voter-approved purposes.

I&S tax collections are **not** used to pay directly for construction costs.

2017 I&S Adopted Tax Rates

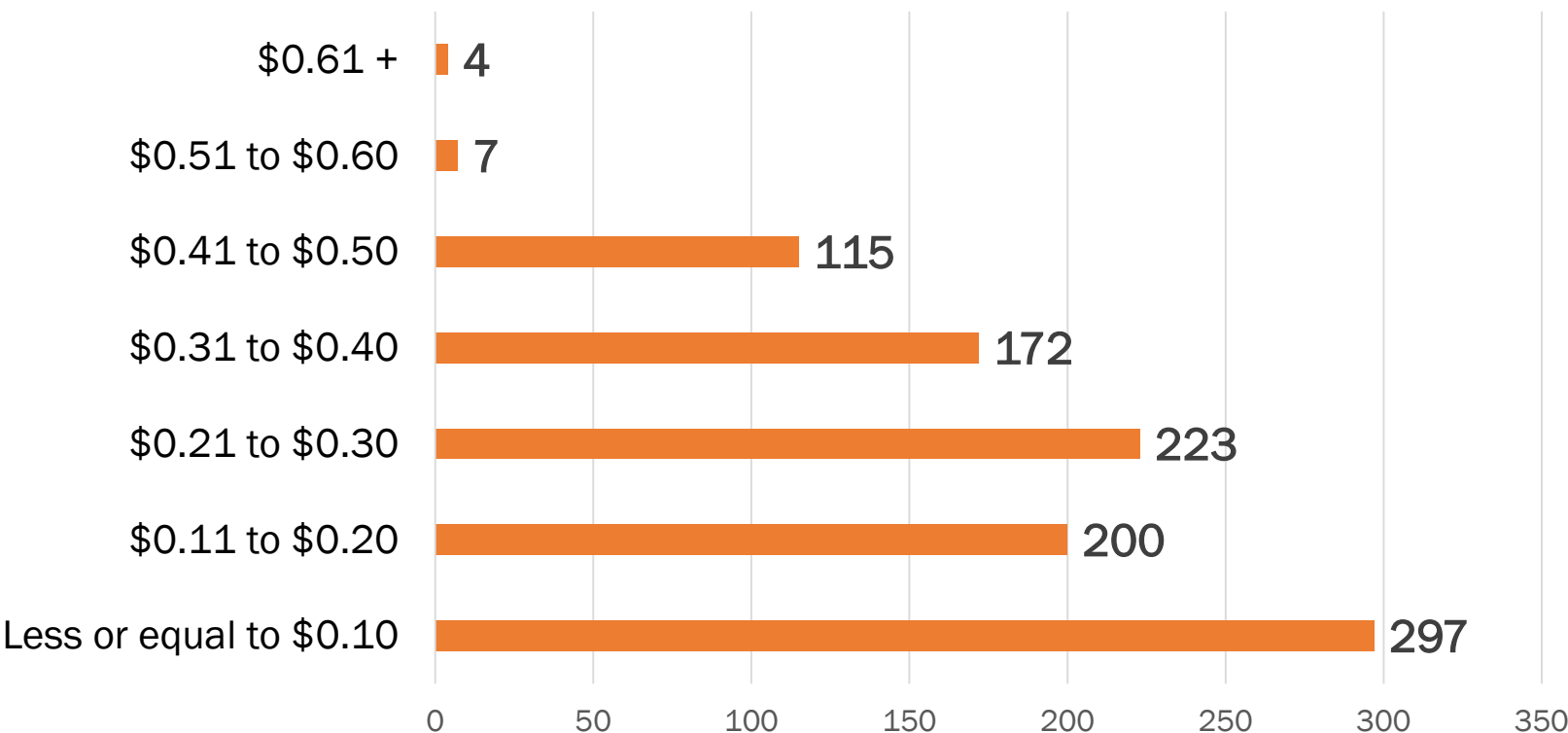
I&S tax rates range from **\$0.00 to \$0.87 cents**

175 districts have adopted a \$0.00 tax rate

29 districts have adopted a \$0.50 tax rate

11 districts have adopted a tax rate greater than \$0.50 tax rate

Number of Districts at Varying I&S Tax Rates



2017 I&S Adopted Tax Rates

86 school districts have an I&S tax rate at or above \$0.45, including 11 with an I&S tax rate over \$0.50

Allen ISD	Crowley ISD	Godley ISD	Liberty Hill ISD	Odem-Edroy ISD	Sunnyvale ISD
Anna ISD	Crystal City ISD (\$0.5131)	Grandfalls-Royalty ISD (\$0.7903)	Longview ISD	Pflugerville ISD	Teague ISD (\$0.5405)
Argyle ISD	Cuero ISD	Gunter ISD	Lovejoy ISD	Plains ISD (\$0.5623)	Terrell County ISD
Brock ISD	Culberson County-Allamore ISD	Hays ISD	Lubbock-Cooper ISD	Post ISD (\$0.58)	Tioga ISD
Bullard ISD	Darrouzett ISD (\$0.8668)	Hitchcock ISD	Manor ISD	Premont ISD	Van Alstyne ISD
Burleson ISD	Denton ISD	Hubbard ISD	Mansfield ISD	Princeton ISD	Wellman-Union ISD (\$0.516)
Canadian ISD (\$0.64)	Dickinson ISD	Hutto ISD	McCamey ISD	Prosper ISD	White Settlement ISD
Cedar Hill ISD	Driscoll ISD (\$0.6598)	Ira ISD (\$0.60)	McKinney ISD	Rice ISD	Wildorado ISD
Celina ISD	Duncanville ISD	Jacksboro ISD	Melissa ISD	Robstown ISD	Wylie ISD
Cleburne ISD	Ennis ISD	Keller ISD	Midlothian ISD	Royse City ISD	Yoakum ISD
Colorado ISD	Falls City ISD	Lake Dallas ISD	Munday ISD	Runge ISD	
Community ISD	Forney ISD	Lake Worth ISD	New Caney ISD	Schertz-Cibolo-U City ISD	
Crandall ISD	Freer ISD (\$0.52)	Lancaster ISD	Newcastle ISD	Spring Hill ISD	
Crosby ISD	Gary ISD	Leander ISD	Northwest ISD	Spring ISD	

Facilities Funding: Instructional Facilities Allotment (IFA)

This program was enacted by House Bill 1 of the 75th Legislature (1997).

The IFA program provides assistance to school districts in making debt service payments on qualifying bonds.

Proceeds must be used for the construction or renovation of an instructional facility only.

The program operates through applications (**prior to bond issuance**) and has award cycles. The IFA is **NOT** used to pay directly for construction costs.

History of IFA awards

Round	Fiscal Year	Funding for Previous Awards (excluding new money)	Amount designated for new debt
1	FY1998	NA	Initial appropriation for all new debt
2	FY1999	NA	Initial appropriation for all new debt
3	FY2000	\$124.9 million	\$50 million
4	FY2001	\$173.1 million	\$50 million
5	FY2002	\$202.3 million	\$50 million
6	FY2003	\$236.4 million	\$50 million
-	FY2004	\$272.4 million	NA
7	FY2005	\$263.7 million	\$20 million
-	FY2006	\$269.6 million	NA
8	FY2007	\$252.9 million	\$50 million
-	FY2008	\$281.1 million	NA
9	FY2009	\$237.4 million	\$87.5 million
-	FY2010	\$285.3 million	NA
10	FY2011	\$225.8 million	\$75 million
-	FY2012	\$300.3 million	NA
-	FY2013	\$290.9 million	NA
-	FY2014	\$276.7 million	NA
-	FY2015	\$255.9 million	NA
-	FY2016	\$224.2 million	NA
11	FY2017	\$185.2 million	\$55.5 million

Facilities Funding: Existing Debt Allotment (EDA)

Created by the Texas Legislature in 1999, and the roll-forward provision was made permanent in 2009 (HB 3646).

House Bill 21 (2017, First Called Session) increased the EDA guaranteed yield from \$35 to the *lesser of* \$40 per ADA per penny on interest and sinking fund (I&S) taxes levied by school districts to pay the principal of and interest on eligible bonds, *or* an amount that would result in a \$60 million increase in state aid from the previous yield of \$35. The yield for the 2017–2018 school year is estimated to be less than \$37.

EDA can be used to help pay for debt on both instructional and non-instructional facilities. EDA is **NOT** used to pay directly for construction costs.

The program operates without applications and has no award cycles but, **to be eligible, payment of existing bonds must have been made during the final year of the previous biennium.**

Eligibility, guaranteed yields, and limits on IFA and EDA

Funding formulas for facilities are similar to Tier II because they work on a **guaranteed yield per penny of tax effort per student**. However, facilities funding formulas use ADA instead of the WADA used in Tier II.

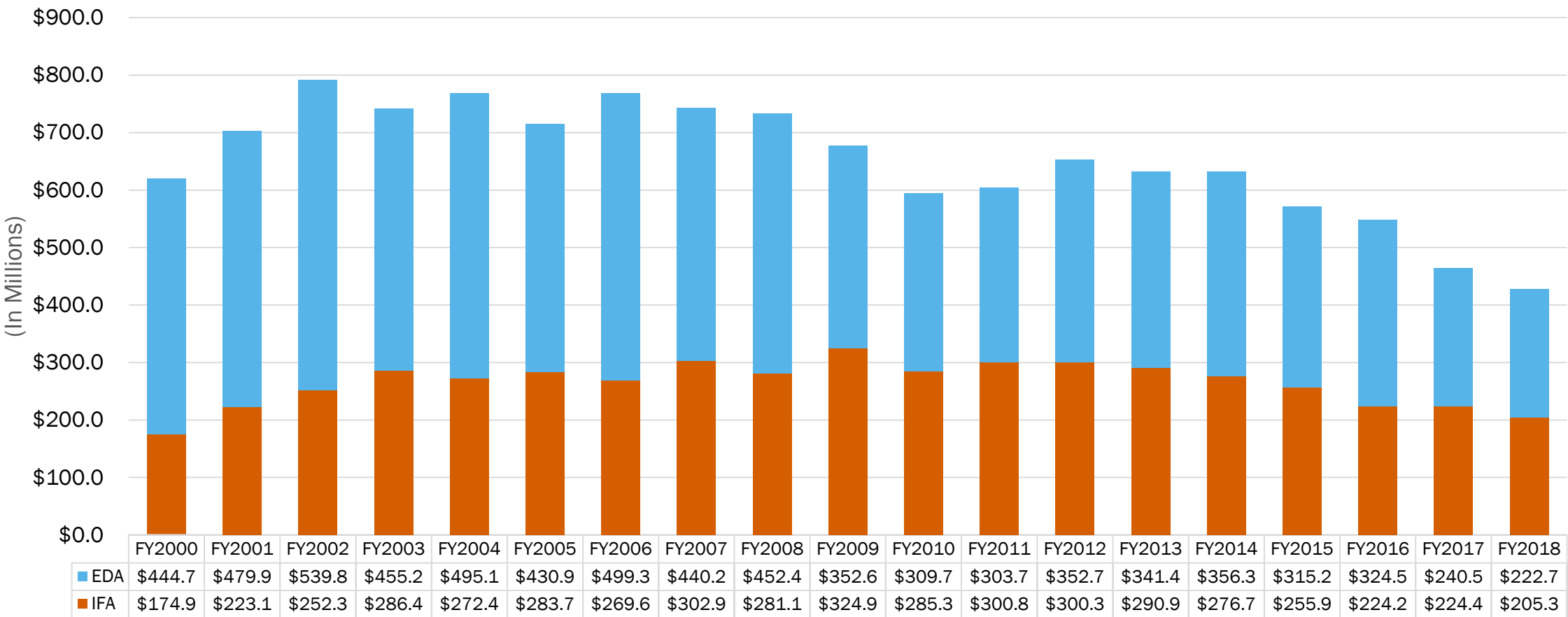
IFA has a guaranteed yield of \$35 per student in ADA per penny of tax effort, while EDA has a floating guaranteed yield, currently estimated to be approximately \$37, and EDA funding is currently limited to \$0.29 cents of tax effort.

Simplified facilities state aid calculation

As with most state allotments, there is a total calculated entitlement, less a calculated “local share”, which results in the “state share” of the entitlement:

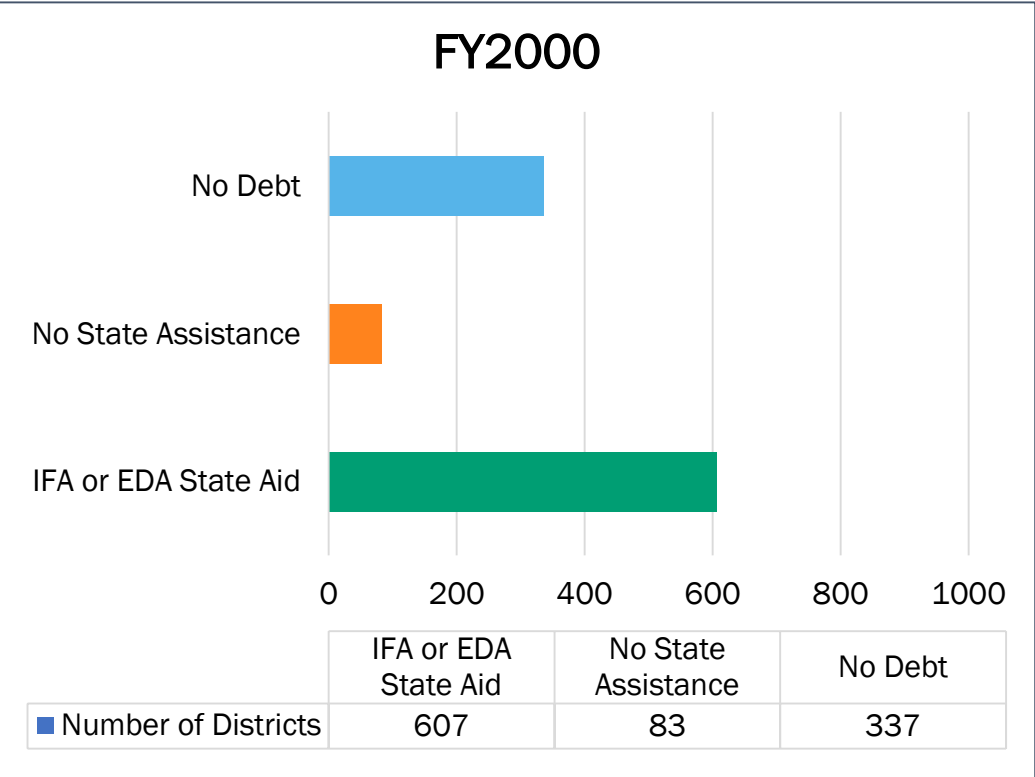
- $\text{EDA entitlement} = (\$37 \times \text{ADA} \times \text{“tax effort eligible for EDA”} \times 100)$
- $\text{Local share} = (\text{“tax effort eligible for EDA”} \times \text{district property value} \div 100)$
- $\text{State share} = \text{EDA entitlement} \text{ minus the Local Share}$

The state has contributed nearly \$12.4 billion to public school facilities funding since the inception of IFA and EDA.

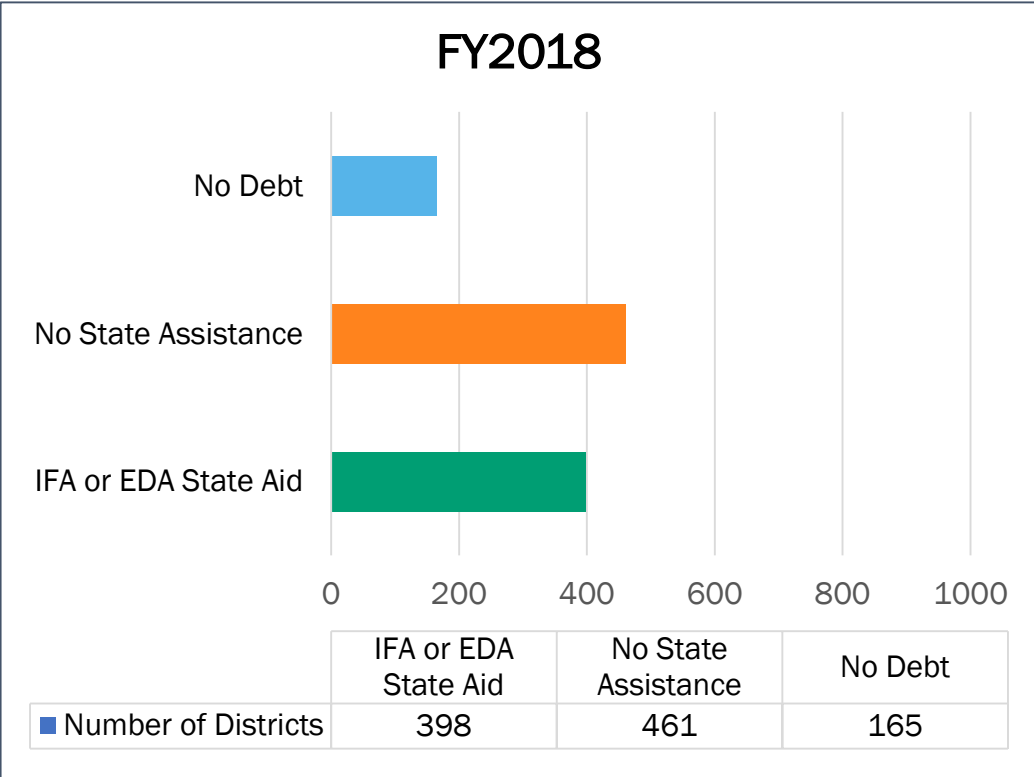


How many districts receive IFA and EDA?

IN FY2000, **607, OR 59%** OF SCHOOL DISTRICTS RECEIVED EITHER IFA OR EDA.



IN FY2018, **398, OR 39%** OF SCHOOL DISTRICTS RECEIVED EITHER IFA OR EDA.

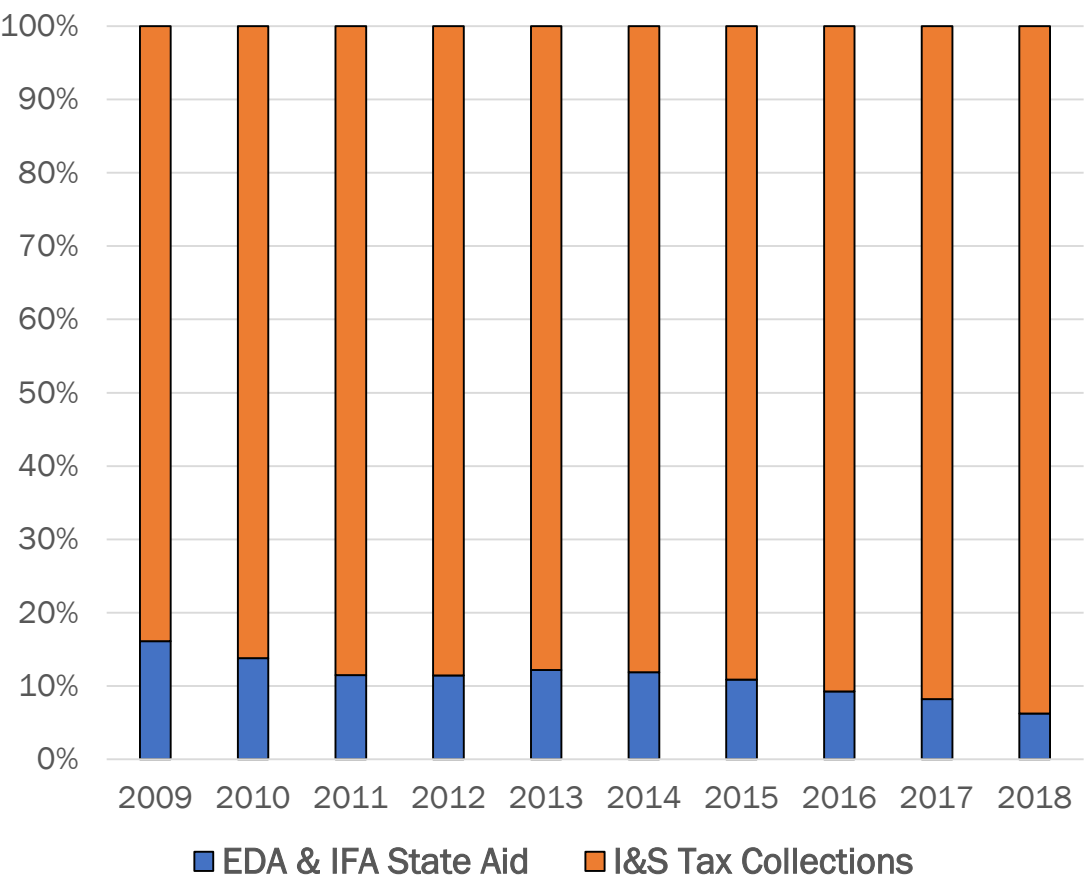


Appendix: State & local share of debt service over the last decade

Local property values have grown significantly over the last decade, doubling interest and sinking (I&S) tax collections from **\$3.7 billion** in FY2009 up to an estimated **\$6.4 billion** in FY2018.

As a result of this property value growth, and a funding yield that has remained unchanged at \$35 (HB21 increased yield begins in FY2019), **districts have become less reliant on state aid to fund their debt service payments.**

Therefore, *as a percentage* of the total dollars available to fund school district annual debt service payments, the state’s share of the total (through IFA and EDA) has dropped from **16%** to **6%** during that same time span.



Estimated costs of increasing funding yield for IFA and EDA

Before HB21 (85-1) increased the EDA yield, the yield had remained at **\$35** per student in average daily attendance (ADA) per penny of tax effort since the inception of IFA and EDA.

For the 2020-2021 biennium, an increase to the yield for both programs* would cost the State as follows:

- **\$40** yield would cost **\$204 million** over the biennium
- **\$45** yield would cost **\$527 million** over the biennium
- **\$50** yield would cost **\$898 million** over the biennium