

Understanding Public School Funding

Kirbyville CISD



Background

Funding for Texas public schools comes from three main sources: local school district property taxes, state funds, and federal funds. Most funding comes from state funding, local property taxes, and federal funding. This document explains state and local funding of Texas public schools as it is administered through the state's Foundation School Program (FSP).

Scope

The FSP has two main components, operations funding and facilities funding. Each component is tied to the tax efforts of school districts. These components provide funding for school district operations and school facilities.

Operations Funding (M&O)	Facilities Funding (I&S)
<ul style="list-style-type: none">• Everyday district operation<ul style="list-style-type: none">○ Salaries○ Instructional Supplies○ General Building Maintenance○ Utilities	<ul style="list-style-type: none">• Pay the debt on school bonds

Tax Rates

What Are M&O and I&S Tax Rates

In Texas, school districts generate and receive funding for M&O through a two-tiered system. These are referred to as Tier 1 and Tier 2 funding. The maximum Tier 1 M&O tax rate a district

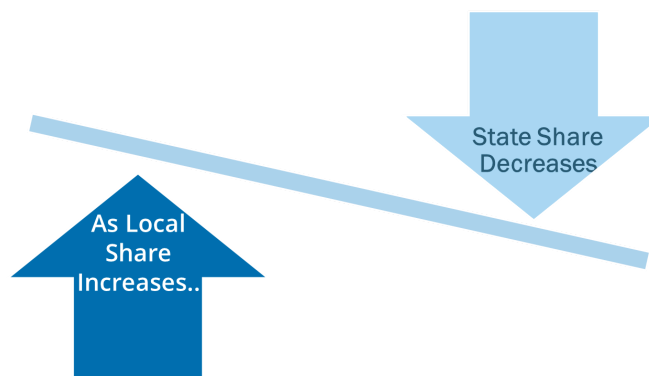
can levy is called the maximum compressed tax rate (MCR). A school district must adopt a tax rate at least equal to its MCR to maximize revenue related to Tier 1.

Tier 2 M&O funding allows school districts to generate supplemental revenue by levying property taxes beyond the MCR. Tier 2 revenue is sometimes called “enrichment” revenue because it enriches the district beyond the basic amount of funding. These additional M&O “pennies” are commonly split into two categories: “golden” pennies and “copper” pennies.

School districts can levy up to 8 golden pennies per \$100 of taxable property value. These golden pennies generate a guaranteed yield of \$129.52. In districts with a tax base that does not generate this yield, the State “equalizes” up to the guaranteed yield. Golden pennies are also not subject to recapture. The first 5 golden pennies can be accessed at the school board’s discretion without voter approval.

The I&S rate funds the money due on bonds issued by the districts to construct facilities.

A balancing act: State Share vs. Local Share



Documents

<https://tea.texas.gov/finance-and-grants/state-funding>