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# SCHOOL FINANCE OVERVIEW

FEBRUARY 12, 2024



INTENT OF  
SCHOOL  
FUNDING  
SYSTEM

Equity

Adequacy

Efficiency

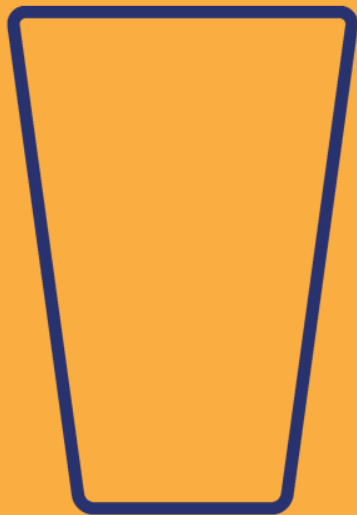
SCHOOL  
DISTRICT  
FUNDING – A  
BALANCING  
ACT

AS PROPERTY  
VALUES PER  
STUDENT  
INCREASE



STATE FUNDING  
DECREASES

The **state** determines the **size** of each district's cup (how much total funding each district will receive). The state uses an intricate funding formula that includes enrollment, attendance, student needs, district size, and many other factors.



*The state determines the total funding the district is entitled to.*

## STATE FUNDING BY THE GLASS

Once a district's cup size (total funding amount) is determined, the **state** starts to fill the cup with **local property tax collections** first (the **local share**).



*In some districts, the local share partially fills the cup. In other districts, the local share completely fills or even overflows the cup.*

## STATE FUNDING BY THE GLASS

Then, the **state** starts to fill the cup with **state funds** (state aid).



*The state commits state funding to fill the cup.*

## STATE FUNDING BY THE GLASS

But wait! If a school district offers tax relief through a Local Optional Homestead Exemption (LOHE), the **state** funding formula never fills the cup.



*CFISD loses approximately \$81M by offering taxpayers a 20% LOHE.*

## STATE FUNDING BY THE GLASS

Senate Bill 2, passed in the second 88<sup>th</sup> special session, **prohibits removal or reduction** of the Local Optional Homestead Exemption (LOHE) until **2028**! So, in essence, Senate Bill 2 creates an **unfunded mandated LOHE**!

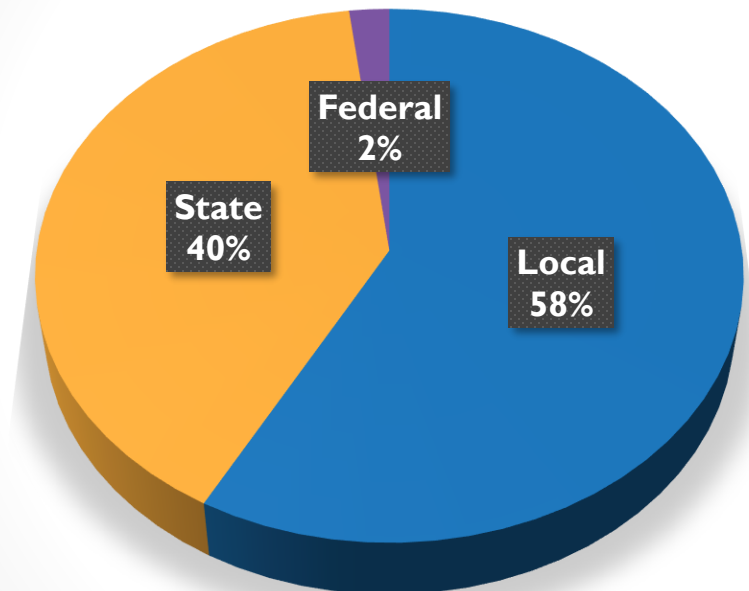


STATE  
FUNDING BY  
THE GLASS



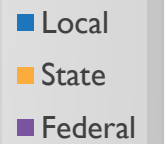
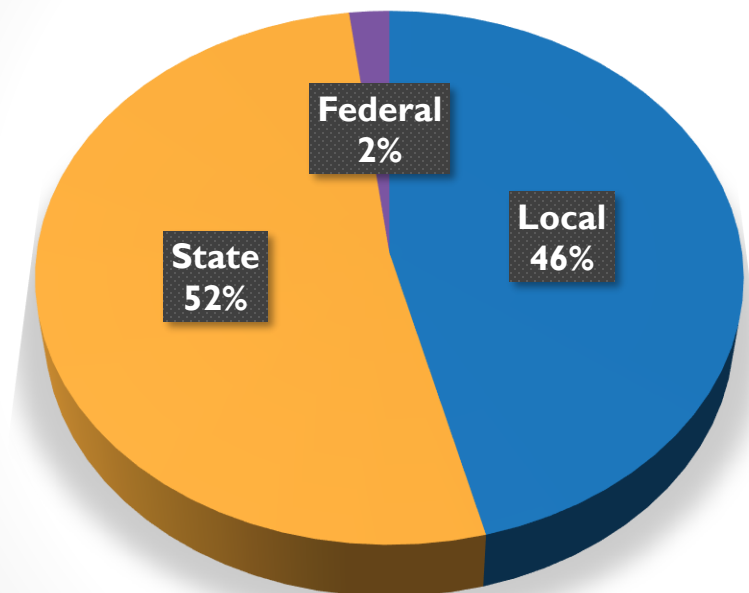
# WHERE DOES THE MONEY COME FROM? - BEFORE SB 2

Revenue Sources



# WHERE DOES THE MONEY COME FROM? - AFTER SB 2

Revenue Sources



# PROPERTY TAXES

## Values Determined by Harris County Appraisal District

- State Benefits from Property Value Increases

## Tax Rate

- Maintenance and Operations (M&O)
  - Maximum Compressed Rate (MCR)
  - Enrichment Pennies
- Interest and Sinking (I&S)

## M&O Rate Capped

- Voter-Approval Tax Rate Election

## CFISD Optional Homestead Exemption

- 20%

## MAXIMUM COMPRESSED RATE

Compression compares the extent to which **estimated** property value growth exceeds 2.5% to determine the MCR.

# TAX RATE AND PROPERTY VALUES

M&O Tax Rate Compressed to Lower of:

State Compressed Rate

Local Compressed Rate

Current Year Property Values Affect Tax Compression

State Aid Based on Current Year State Comptroller's Property Values

# WHAT IS THE *tax* IMPACT?



CFISD offers a 20% optional homestead exemption. In addition, a state homestead exemption reduces a home's taxable value by \$100,000. Therefore, the taxable value of an average home in CFISD (about \$350,000) would decrease by \$170,000.



The optional homestead exemption in CFISD results in a reduction of \$7.5 billion in taxable value, and the district's property tax revenue incurs a loss of \$81 million.

## CFISD approves lowest tax rate in 37 years



## HISTORY OF PROPERTY TAX RATES

# FOUNDATION SCHOOL PROGRAM

The Foundation School Program (FSP) is the state program that establishes the amount of state and local funding due to school districts under Texas school finance law and provides the state share of this funding to districts.

The program is administered by the Texas Education Agency (TEA).

The FSP is meant to ensure that all school districts, regardless of property wealth, receive “substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.”

# STATE FUNDING/STATE AID

**Legislative State  
Funding Formula**

**Basic  
Allotment  
\$6,160**

**Does Not  
Include  
Inflation Factor**

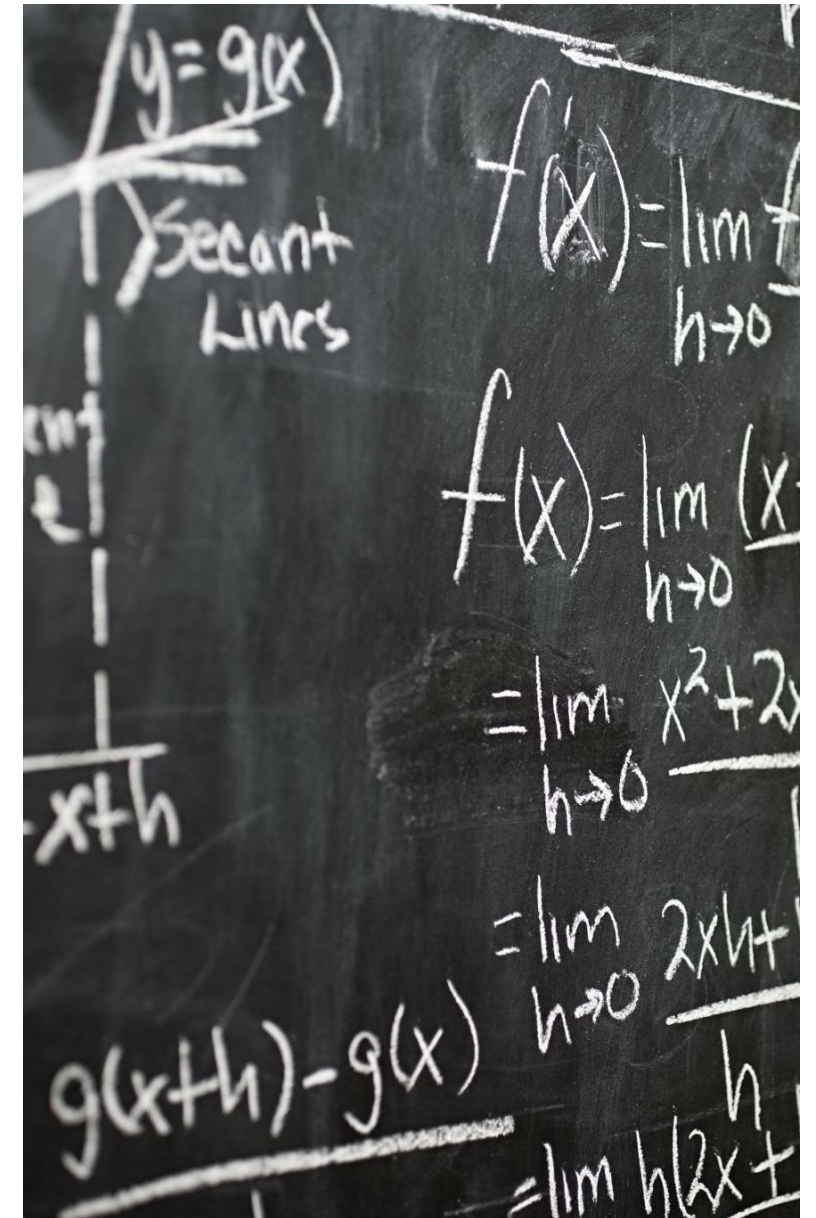
## **Influenced By:**

- Enrollment
- Average Daily Attendance (ADA)
- Special Populations
- Enrichment Pennies
- Property Wealth



# STRUCTURE OF THE FOUNDATION SCHOOL PROGRAM

- Tier I – Basic/Foundation Entitlement
  - Consists of state and local share
  - Series of formulas determine the allotments
- Tier II – Enrichment Entitlement
  - Additional funding for additional tax effort
  - Guaranteed yield per penny
  - Limited to \$0.17 above MCR
- Interest & Sinking (I&S)
  - Most districts have qualifying debt service, but few receive state aid
    - Instructional Facilities Allotment
    - Existing Debt Allotment



# DIFFERENCE BETWEEN ADA AND WADA

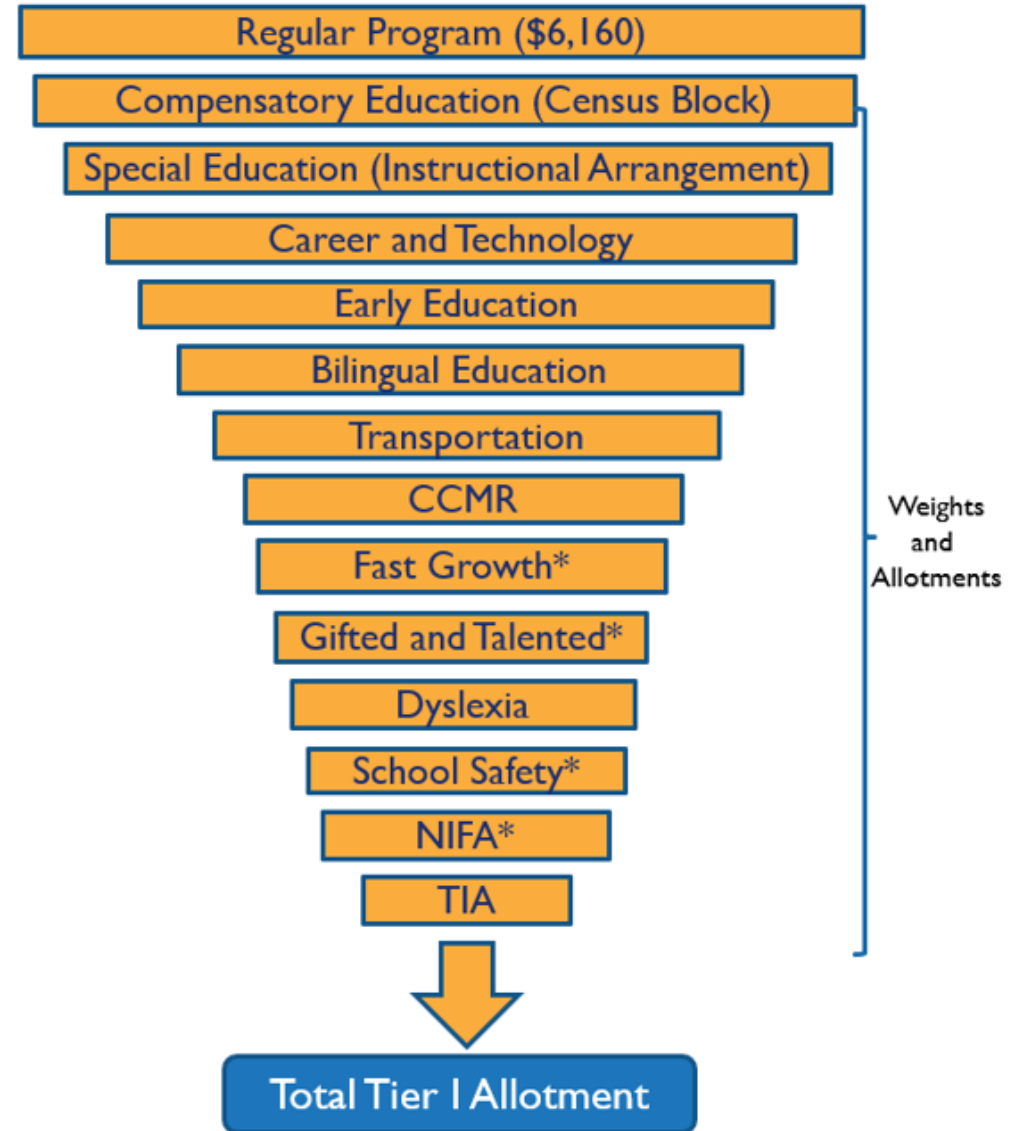
## Average Daily Attendance (ADA)

- The average number of students who come to class on any given day
- There will always be less ADA than WADA
- Used to calculate Tier I allotments

## Weighted Average Daily Attendance (WADA)

- Calculated using Tier I allotments
- Districts with large populations of students with special characteristics (i.e. – compensatory education students) will have more WADA than similar districts with small populations
- Used to calculate Tier II allotments

# CALCULATION OF TIER I – STATE SHARE



\* Allotment Capped

# TIER II COMPONENTS

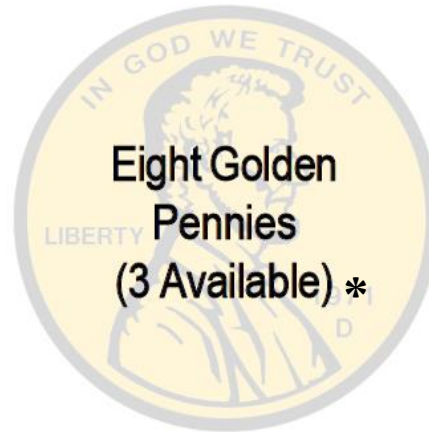
## Tier 1



Excess Local Revenue  
Above Entitlement  
LEVEL 1 - Recapture

## Tier 2

LEVEL 1 - Funding



No Excess Local  
Revenue

## Tier 2

LEVEL 2 - Funding



Excess Local Revenue  
Above Entitlement  
LEVEL 2 - Recapture

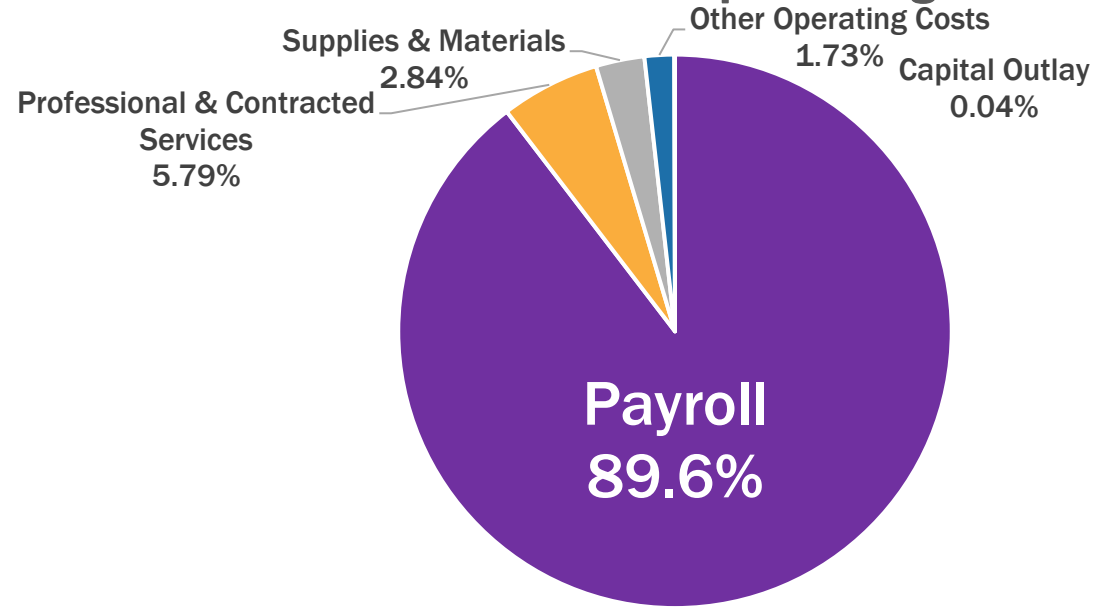
\* Voter Approval Tax Rate Election Required

# EXCESS LOCAL REVENUE (RECAPTURE)



- In some districts, the calculated local share exceeds the total cost of the program. When this happens, districts are said to have “**excess local revenue**”.
- **Recapture** applies in **Tier I** and in the **copper penny** component of **Tier II**, when the local share exceeds the total cost.
- There is **no recapture on golden pennies** or on **I&S tax collections**.

## 2023-2024 Adopted Budget



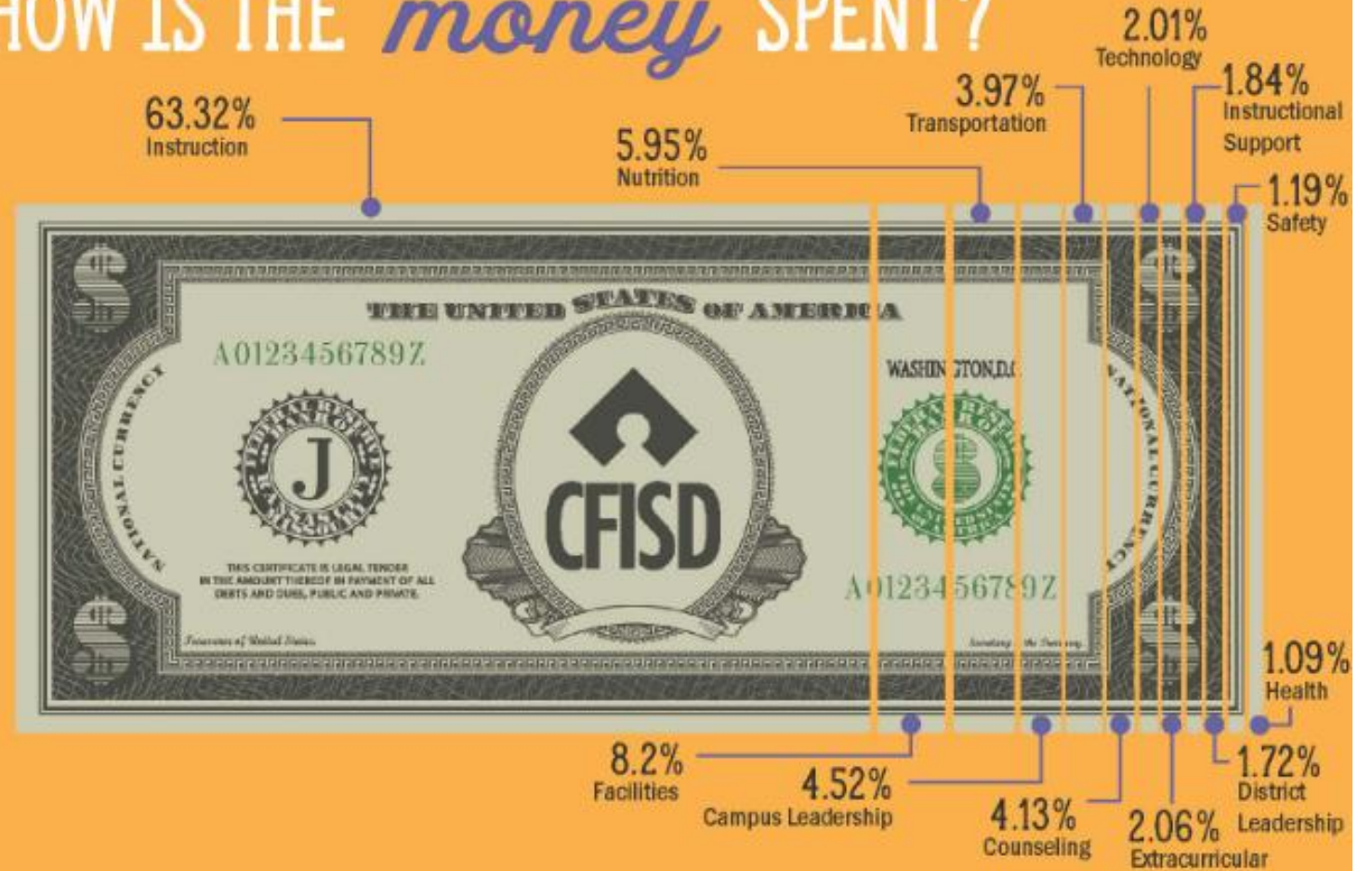
■ Payroll ■ Professional & Contracted Services ■ Supplies & Materials ■ Other Operating Costs ■ Capital Outlay

# GENERAL FUND EXPENDITURES



# HOW THE MONEY IS SPENT

## HOW IS THE *money* SPENT?



## FUNDING TOPICS: 88<sup>TH</sup> LEGISLATURE

Increase Basic Allotment

Inflation Index to Basic Allotment

Special Education Funding

State-Based Funding for State Mandates

Remove Statutory Caps That Reduce Allotments

Increase IMA to Cover Digital Materials

Modify Adjustment to State Values for LOHE

School Safety and Mental Health

Funding for Required Accelerated Instruction (HB 4545)



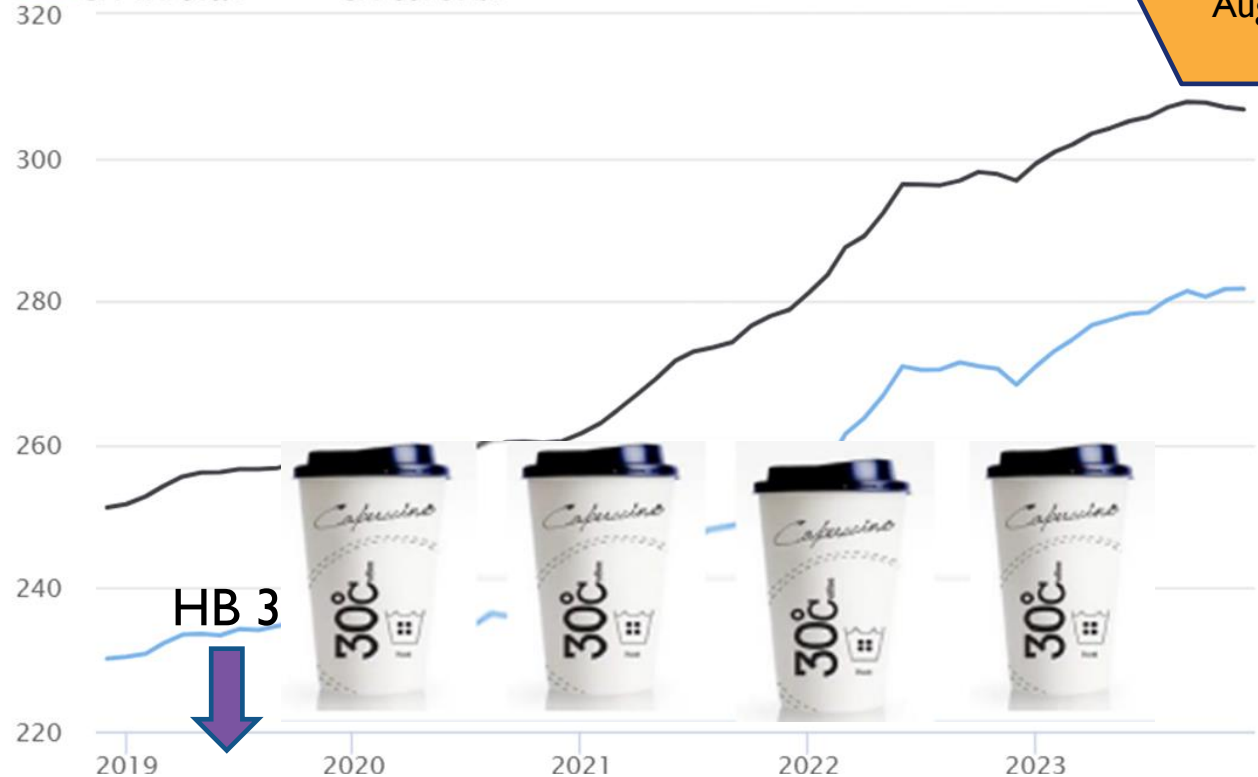
# IMPACT OF INFLATION

Increased cost due to general inflation is borne by the district (unless formulas are changed)

## Measures of Inflation

Legend/Change from previous year:

— CPI TX: 5.0% — CPI US: 3.4%



\*Excluding food and energy

Source: US Bureau of Labor Statistics and Comptroller of Public Accounts, based on data provided by Bureau of Labor Statistics



\$15,000 per campus



\$1.3M

WHERE ARE WE  
NOW?

### Special Education

- Allotment - \$88.2M
- Actual costs - \$128.3M

### School Safety

- Allotment - \$1.04M
- Actual costs general fund - \$46.2M
- Actual costs bond funds - \$263.1M

### Transportation

- Allotment - \$8.1M
- Actual costs - \$43.4M

# STATE ALLOTMENTS COMPARED TO ACTUAL SPENDING



QUESTIONS