

Office of School Finance

Foundation School Program



Legal References

Texas Education Code, Chapters 46, 48 and 49

Background Information

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

Program Description

The 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."¹

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. This overview briefly describes the main components of the FSP. Detailed information about the calculations involved in these components follows this overview.

- The **operations funding component** of the FSP assists school districts in financing their maintenance and operations (M&O) through the following two formulas:
 - o **Tier One** of the FSP provides school districts (and open-enrollment charter schools) with a basic level of funding through several allotments, including those for regular basic education, special education (SPED), dyslexia, compensatory education, bilingual education (including dual language programs), career and technology education (CTE), public education grants, early education, college, career, or military readiness, fast growth, small and mid-sized districts, teacher incentives, transportation, and new instructional facilities.
 - o **Tier Two** of the FSP is intended to supplement the basic funding provided by Tier One. Tier Two

guarantees a specific level of funding per student in weighted average daily attendance, or WADA, (to be discussed later) for each penny of tax effort above a school district's maximum Tier One tax rate (also referred to as the state maximum compressed tax rate, or MCR). The funding provided by this additional tax effort is also referred to as enrichment.

- **The facilities funding component** of the FSP provides school districts (excluding open-enrollment charter schools) with assistance for debt service related to funding school facilities through the following two programs:
 - o The Instructional Facilities Allotment (IFA) program provides funding to school districts for debt service payments on debt associated with the purchase, construction, renovation, and expansion of instructional facilities. Districts use this funding to make annual debt service payments on qualifying bonds and lease-purchase agreements.
 - o The Existing Debt Allotment (EDA) program provides funding to school districts for debt service payments on eligible bonded debt.

¹ Texas Education Code (TEC), §48.001(b)



Contact for More Information

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