82nd Legislature and School Finance: Trying to Put the Pieces Together

Eighteenth Annual Region 10
School Finance Conference
June 8, 2011

Agenda

- Budget news
- Maintenance of effort
- Foundation School Program news
- Prekindergarten
- Chapter 41
- Dual credit issues
- Changes at the Texas Education Agency

Budget news

- House Bill 4, Regular Session
  - Supplemental appropriation of $550 million for FY 2011 for the Foundation School Program (FSP)
  - Bill has been sent to governor
    - Expected to be signed or to become law without his signature
    - If vetoed, proration would occur through end of the current fiscal year
    - Prorated amount would be added to next year's allocation

- Senate Bill (SB) 2 - Foundation School Program
  - Strategy A.1.1 - FSP Equalized Operations
    - Assumes passage of SB 1 and 66.67% compression rate
    - Does not include money for:

        - New Instructional Facilities Allotment
        - Technology allotment
        - Declining property values
        - Declining enrollment
        - Disciplinary alternative education programs
    - Reduces sum-certain appropriation in both years based on revised value and enrollment projections
    - Makes reduction of $150 million/year contingent on the passage of HJR 109 and voter approval of constitutional amendment changing distribution of the funds from General Land Office to the Available School Fund
- Strategy A.1.2 – FSP Equalized Facilities
    - Assumes
        - Automatic rollforward of Existing Debt Allotment
        - No new awards for Instructional Facilities Allotment
    - No change in yield of $35/penny/student in average daily

attendance (ADA)

- “Poison pill” persists = $0 for FSP if SB 1 does not pass
- Value assumptions
  - Tax year 2011= -0.97 (Comptroller = -2.23)
  - Tax year 2012 = +0.52 (same as comptroller)
- March update of pupil projections
- Provides for FSP funding that is $2 billion/year less than current law formulas
- Requires passage of school finance legislation currently contained in SB 1
- Reduces appropriation by $2.3 billion based on August deferral

- SB 1 – fiscal matters
  - School finance provisions = hybrid

of the hybrid

- Regular program adjustment factor
  - 2011–2012 = 0.9239 (7.61% reduction)
  - 2012–2013 = 0.98 (2% reduction)
- Percent of target revenue retained
  - 2011–2012 = 100% (0% reduction)
  - 2012–2013 = 92.35% (7.65% reduction)
- Modifies minimum salary schedule
- Revises proration provisions
  - Applies equal % reduction to all schools, including Chapter 41
  - Repeals the provision that restores funding in following year
- Repeals additional state aid for tax reduction (ASATR) on September 1, 2017

- Instructional materials allotment (HB/SB 6)
  - Establishes instructional materials fund (IMF)

- Creates instructional materials allotment (IMA)
- Allows districts to select materials from a variety of sources and pay for the materials with IMA

Maintenance of effort

- SB 1
  - Reduces regular program allotment
    - Does not reduce special program allotments
    - Ensures that state meets maintenance of effort (MOE) requirements
    - May jeopardize the ability of districts and charters to meet local MOE requirements due to reduction in funds that count as local effort

Prekindergarten

- Grant funds for preK have been eliminated entirely
- FSP funds for preK are still in place
- Tuition-supported preK
  - Serve eligible students for half-day in addition to half-day of FSP funding
  - Serve ineligible students for ½ day or full-day program
  - Maximum tuition is limited to rates posted on the TEA website
  - District must request permission to charge tuition
  - Sample letter and tuition rates are posted at PrekindergartenTuition website:

http://www.tea.state.tx.us/index2.aspx?id=7515

FSP News

- FSP online system
  - Every district must have someone in roles of:
    - Admin approver
    - District approver
  - Superintendent must approve all other roles or designate someone to approve roles
  - Review users routinely – especially at the beginning of the year
  - Most data submissions must be approved before TEA can use them in the *Summary of Finance* calculations

- 2010–2011 Tax collections survey is open
  - Report first three quarters of actual

tax collections plus estimated fourth quarter collections
- Used for near-final settle-up in Fall 2011
- Deadline: August 12, 2011
- Requires TEA SE access to FSP online system
- Failure to submit may adversely affect near-final settle-up

Chapter 41

- Districts with wealth per student greater than $319,500/student weighted average daily attendance (WADA)
  - Will receive notice of Chapter 41 status in July
  - If less than $476,500/WADA, may

or may not pay recapture, depending upon tax effort
  - Regardless of need to pay recapture, must comply with provisions for wealth reduction in order to be authorized to adopt M&O tax rate
- ***All*** districts that receive a notice in July must:
  - Choose an option for reducing wealth via FSP online system
  - Submit appropriate documentation to support option selected
  - ***Receive permission to levy M&O tax rate***
    - Districts may not adopt tax rate until letter authorizing adoption is received.
    - Failure to act may jeopardize the ability to issue bonds.

Dual credit

- Senate Bill 1619 would allow districts to charge students for tuition, books, and other fees associated with dual credit course participation
  - Sent to governor for signature
  - If vetoed, would prohibit districts from charging students for dual credit course participation if they claim at attendance credit for course

Changes at TEA

- Agency administrative budget cannot sustain the 795 full-time equivalent positions (FTEs) indicated in Article III

- Phase I reductions
- Phase II reductions
- Reorganization
- Security

Questions?

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