

July 6, 2018

TO THE ADMINISTRATOR ADDRESSED:

Subject: Local Share of the Foundation School Program Cost

The adoption of an ad valorem property tax rate is a local decision made by locally elected school district board members. However, as required by state law under Texas Education Code (TEC) §42.252(d), a school district must raise its total local share of the Foundation School Program to be eligible to receive foundation school fund payments. As provided by TEC §42.252(a), the local share determination requires a tax rate for each hundred dollars of valuation equal to the product of the state compression percentage, as determined under §42.2516, multiplied by the lesser of \$1.50, or the maintenance and operations (M&O) tax rate adopted by the district for the 2005 tax year.

This letter serves to inform school districts that beginning with the 2018–2019 school year, the Texas Education Agency will ensure that all school districts are raising their required local share of the foundation school program before flowing foundation school fund payments.

Therefore, for a school district to be eligible to receive foundation school fund payments for the 2018–2019 school year, the adopted M&O tax rate should be equal to or greater than the level described under TEC §42.252(a). The TEA will not flow foundation school fund payments to school districts whose adopted M&O tax rates are below the required level. Distribution of available school fund payments, however, would continue without interruption. Additionally, any recapture payments owed by school districts as required under Chapter 41 of the TEC should also continue without interruption.

TEA is committed to providing all taxpayers, property owners, and school districts with accurate and transparent information regarding these matters as quickly as possible and to complying with statutory obligations under Texas law. This information is being provided to describe the effect on state funds under current law that ensues from a local decision to adopt a specific tax rate. Please contact Al McKenzie at (512) 463-9186 or al.mckenzie@tea.texas.gov with any questions.

Regards,

Leo Lopez, RTSBA
Associate Commissioner for School Finance