

# FOUNDATION SCHOOL PROGRAM EQUALIZED FUNDING ELEMENTS IN THE TEXAS EDUCATION CODE, §42.007

## LEGISLATIVE BUDGET BOARD STAFF ANALYSIS

ID: 5667

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The Texas Education Code, Section 42.007, requires the Legislative Budget Board (LBB) to report equalized funding elements of the Foundation School Program (FSP) pursuant to the Texas Education Code, Chapters 41, 42, and 46. Section 42.007, Subsection (c), states that the elements must include the following components:

- (1) a basic allotment for the purposes of Section 42.101 that, when combined with the guaranteed yield component provided by Subchapter F, represents the cost per student of a regular education program that meets all mandates of law and regulation;
- (2) adjustments designed to reflect the variation in known resource costs and costs of education beyond the control of school districts;
- (3) appropriate program cost differentials and other funding elements for the programs authorized under Subchapter C, with the program funding level expressed as dollar amounts and as weights applied to the adjusted basic allotment for the appropriate year;
- (4) the maximum guaranteed level of qualified state and local funds per student for the purposes of Subchapter F;
- (5) the enrichment and facilities tax rate under Subchapter F;
- (6) the computation of students in weighted average daily attendance under Section 42.302; and
- (7) the amount to be appropriated for the school facilities assistance program under Chapter 46.

The estimates of the required funding elements used in the LBB recommendations contained in House Bill 1, as Introduced, and Senate Bill 1, as Introduced, are as follows.

### BASIC ALLOTMENT – SECTION 42.007(C)(1)

The LBB recommendations maintain the Basic Allotment at \$5,140 for fiscal years 2020 and 2021. The Basic Allotment is set in statute at a minimum of \$4,765 or a greater amount by appropriation. The Basic Allotment has been set by appropriation at \$5,140 since fiscal year 2016. **Figure 1** shows the Basic Allotments for fiscal years 2014 to 2021.

**FIGURE 1**  
**BASIC ALLOTMENT, FISCAL YEARS 2014 TO 2021**

2014	2015	2016	2017	2018	2019	2020 (1)	2021 (1)
\$4,950	\$5,040	\$5,140	\$5,140	\$5,140	\$5,140	\$5,140	\$5,140

NOTE: (1) Amounts for fiscal years 2020 and 2021 are included in the Legislative Budget Board Recommendations.  
SOURCE: Legislative Budget Board.

### COST OF EDUCATION INDEX – SECTION 42.007(C)(2)

The LBB recommendations do not assume any change in the Cost of Education Index (CEI) provided for in the Texas Education Code, Section 42.102. The estimated cost of the Cost of Education Index for the 2020–21 biennium is estimated to be \$2.9 billion annually.

A review of methodologies used by other states to adjust for the cost of education conducted by LBB staff in 2017 specified the legislative decisions required for a CEI update. The report determined that, of the states that adjust for the cost of education, the methodologies most used were a competitive wage index, a market-basket approach, or a hedonic model, which attempts to quantify attributes that educators find attractive or repelling about a given career opportunity. A more in-depth review of the methodologies, along with considerations in updating the Texas Cost of Education Index can be found at [www.lbb.state.tx.us/documents/publications/primer/2999\\_cost\\_education\\_index.pdf](http://www.lbb.state.tx.us/documents/publications/primer/2999_cost_education_index.pdf).

**WEIGHTED FUNDING EXPRESSED AS DOLLAR AMOUNTS – SECTION 42.007(C)(3)**

The LBB recommendations do not assume any change in weighted funding pursuant to the Texas Education Code, Chapter 42, Subchapter C. The total amount of funding provided in accordance with the various weighted allotments in the LBB recommendations is shown in **Figure 2**.

**FIGURE 2**  
**WEIGHTED FUNDING INCLUDED IN LEGISLATIVE BUDGET BOARD RECOMMENDATIONS, FISCAL YEARS 2020 AND 2021**

ALLOTMENT	WEIGHTS	2020	2021
Special Education Allotment (Full-time-equivalent (FTE) position basis)	Ranges from 1.1 to 5.0	\$3,410,158,520	\$3,548,390,466
Career and Technology Education Allotment (FTE position basis)	1.35	\$2,487,575,862	\$2,632,341,920
Gifted and Talented Education Allotment	0.12	\$165,405,805	\$167,225,972
Compensatory Education Allotment	0.2	\$4,194,28,529	\$4,283,631,326
Bilingual Education Allotment	0.1	\$541,830,474	\$560,317,402

SOURCE: Legislative Budget Board

**GUARANTEED YIELD – ENRICHMENT TIER – SECTION 42.007(C)(4)**

The LBB recommendations include guaranteed yields provided in Tier II, or the enrichment tier, of the FSP of the following amounts:

- \$126.88 per penny per weighted average daily attendance (WADA) for fiscal year 2020 and \$135.92 per penny per WADA in fiscal year 2021 for what are called the golden pennies, pursuant to Section 42.302(a-1)(1), shown in **Figure 3**; and
- \$31.95 per penny per WADA for fiscal years 2020 and 2021 for what are called the copper pennies, pursuant to Section 42.302(a-1)(2). The copper penny yield is set by statute and has not changed since 2007.

**FIGURE 3**  
**GOLDEN PENNY YIELD, FISCAL YEARS 2014 TO 2021**

2014	2015	2016	2017	2018	2019	2020 (1)	2021 (1)
\$59.97	\$61.86	\$74.28	\$77.53	\$99.41	\$106.28	\$126.88	\$135.92

NOTE: (1) Amounts for fiscal years 2020 and 2021 are included in the Legislative Budget Board Recommendations.  
SOURCE: Legislative Budget Board.

**ENRICHMENT AND FACILITIES TAX RATE – SECTION 42.007(C)(5)**

The LBB recommendations assume that, statewide, approximately 40 districts will pass tax ratification elections successfully each year, drawing roughly \$40.0 million in additional state aid for fiscal year 2020 and \$80.0 million for fiscal year 2021. **Figure 4** shows school districts' adopted and ratified rates.

**FIGURE 4**  
**TEXAS SCHOOL DISTRICTS THAT ADOPTED MAINTENANCE AND OPERATION TAX RATE AND TAX RATIFICATION ELECTIONS (TRE)**  
**STATISTICS - SECTION 42.007(C)(5)**

DISTRICTS	2014	2015	2016	2017	2018	2019 (1)
Number of Districts with Taxing Authority	1,020	1,019	1,019	1,018	1,018	1,018
<b>Number of Districts with Rates at \$1.17 Maintenance and Operation (M&amp;O) Cap</b>	<b>288</b>	<b>285</b>	<b>329</b>	<b>370</b>	<b>399</b>	<b>430</b>
Number of Districts with Rates from \$1.04 to \$1.17	65	88	84	87	109	129
<b>Number of Districts with Rates at \$1.04</b>	<b>572</b>	<b>557</b>	<b>533</b>	<b>500</b>	<b>469</b>	<b>419</b>
Number of Districts with Rates from \$1.00 to \$1.04	41	35	33	29	22	22
Number of Districts with Rates Less Than \$1.00	54	54	40	32	19	18
<b>Percentage of Districts with Rates at \$1.17 Cap</b>	<b>28%</b>	<b>28%</b>	<b>32%</b>	<b>36%</b>	<b>39%</b>	<b>42%</b>
Percentage of Districts with Rates from \$1.04 to \$1.17	6%	9%	8%	9%	11%	13%
<b>Percentage of Districts with Rates at \$1.04</b>	<b>56%</b>	<b>55%</b>	<b>52%</b>	<b>49%</b>	<b>46%</b>	<b>41%</b>
Percentage of Districts with Rates from \$1.00 to \$1.04	4%	3%	3%	3%	2%	2%
Percentage of Districts with Rates Less Than \$1.00	5%	5%	4%	3%	2%	2%
Number of Successful Tax Ratification Elections	39	24	37	44	37	51

NOTE: (1) Data from fiscal year 2019 was obtained through Legislative Budget Board data collection. Official Tax Year 2018 (fiscal year 2019) adopted tax rates will be provided by the Comptroller of Public Accounts in February 2019.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

**WEIGHTED STUDENTS IN AVERAGE DAILY ATTENDANCE – SECTION 42.007(C)(6)**

The LBB recommendations assume the number of students in weighted average daily attendance (WADA) to equal 7,100,147 for fiscal year 2020 and 7,228,964 for fiscal year 2021.

**FIGURE 5  
WEIGHTED AVERAGE DAILY ATTENDANCE, FISCAL YEARS 2014 TO 2021**

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2014	2015	2016	2017	2018	2019 (1)	2020 (2)	2021 (2)
6,447,760	6,565,090	6,671,686	6,755,187	6,851,184	6,971,965	7,100,147	7,228,964

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NOTES:

(1) Amounts for fiscal year 2019 are estimated.

(2) Amounts for fiscal years 2020 and 2021 are estimates included in the Legislative Budget Board Recommendations.

SOURCES: Legislative Budget Board, Texas Education Agency.

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**FACILITIES APPROPRIATIONS – SECTION 42.007(C)(7)**

The LBB recommendations include facilities funding in the Texas Education Agency’s Strategy A.1.2, FSP – Equalized Facilities, of \$594,000,000 for fiscal year 2020 and \$552,800,000 for fiscal year 2021.

The yield for the Instructional Facilities Allotment is \$35.00 per average daily attendance per penny of tax effort for eligible debt service, and last was increased in 1999.

The Existing Debt Allotment yield was increased by the Eighty-fifth Legislature, First Called Session, 2017, by a statewide total of \$60.0 million in state aid from the previous yield of \$35.00, and is estimated to be \$38.25 for fiscal year 2020.

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