



SCHOOL FINANCE 101

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CHIEF FINANCIAL OFFICER

School Finance 101

May 2025

OBJECTIVES

- Gain a better Understanding of how school finance works in Texas
- Be able to explain the general concepts to your friends & neighbors
- Understand the correlation between property taxes to district revenues



FUNDING ELEMENTS IN TEXAS



Basic Allotment

State established funding amount per student (**Currently \$6,160 Since 2019**)



ENTITLEMENT

Tier 1 Guaranteed **revenue** amount, will be funded through state & local revenue combination



Local Share

Portion of the Tier 1 entitlement the district is responsible for raising through the local property tax. Depends on property value & tax rate.



State Share

The difference between the entitlement and the local share. Distributed as Foundation School Program Funds.



Guaranteed Yield

State guaranteed amount of Tier 2 **revenue** per penny per weighted student

ACRONYMS USED IN SCHOOL FINANCE

ADA

Average Daily Attendance, or the average number of students who show up for school each day (Used in Tier 1)

WADA

Number of students in **Weighted Average Daily Attendance** adjusted for program needs of the students (used in Tier 2)

ASF

Available School Fund “per capita” payments based on prior year ADA; rate determined each year by State Board of Education; Currently \$414.88 set June 2024

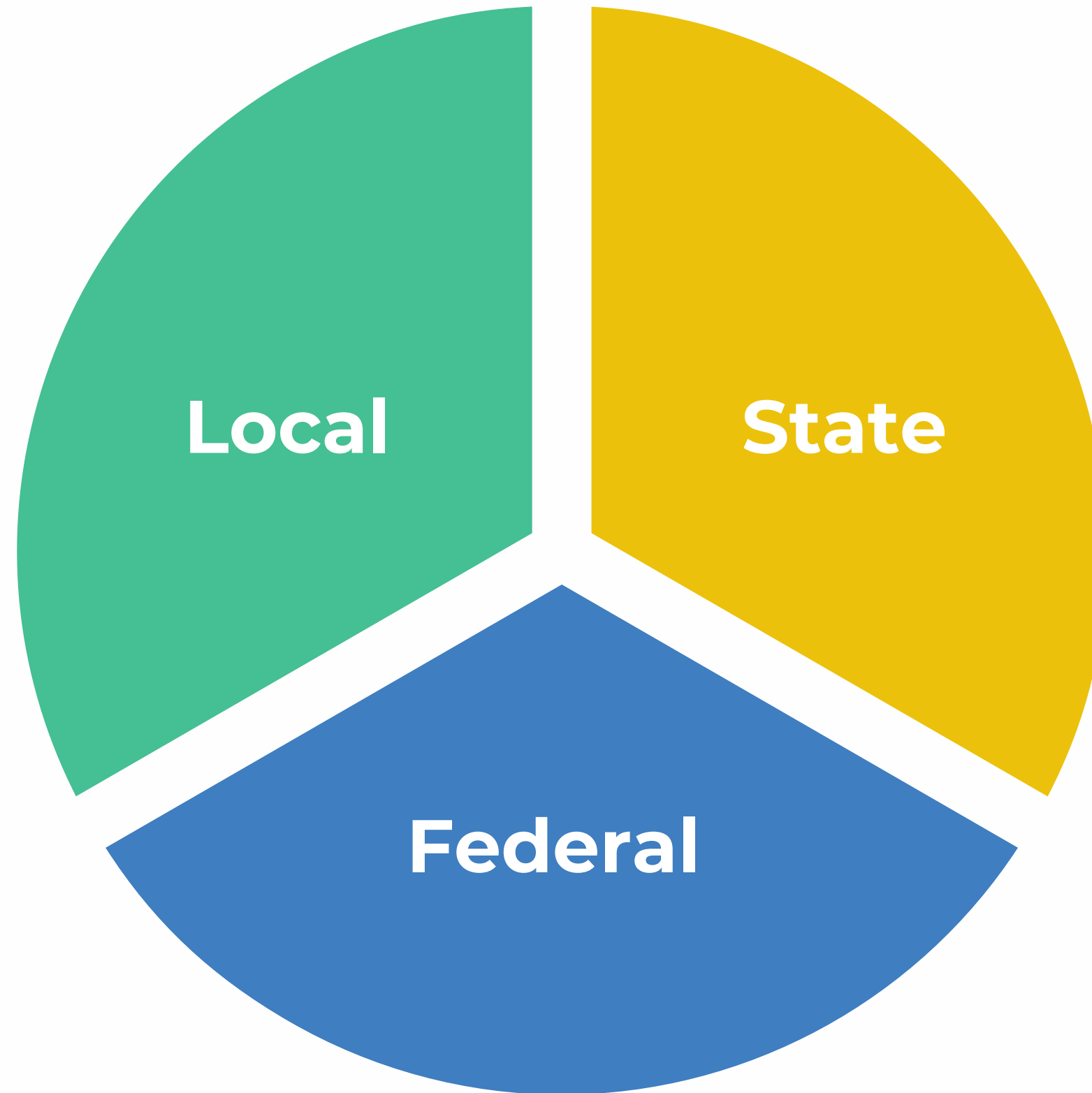
MCR

Maximum Compressed Rate (M&O) drive by property value growth; certified by TEA

LFA

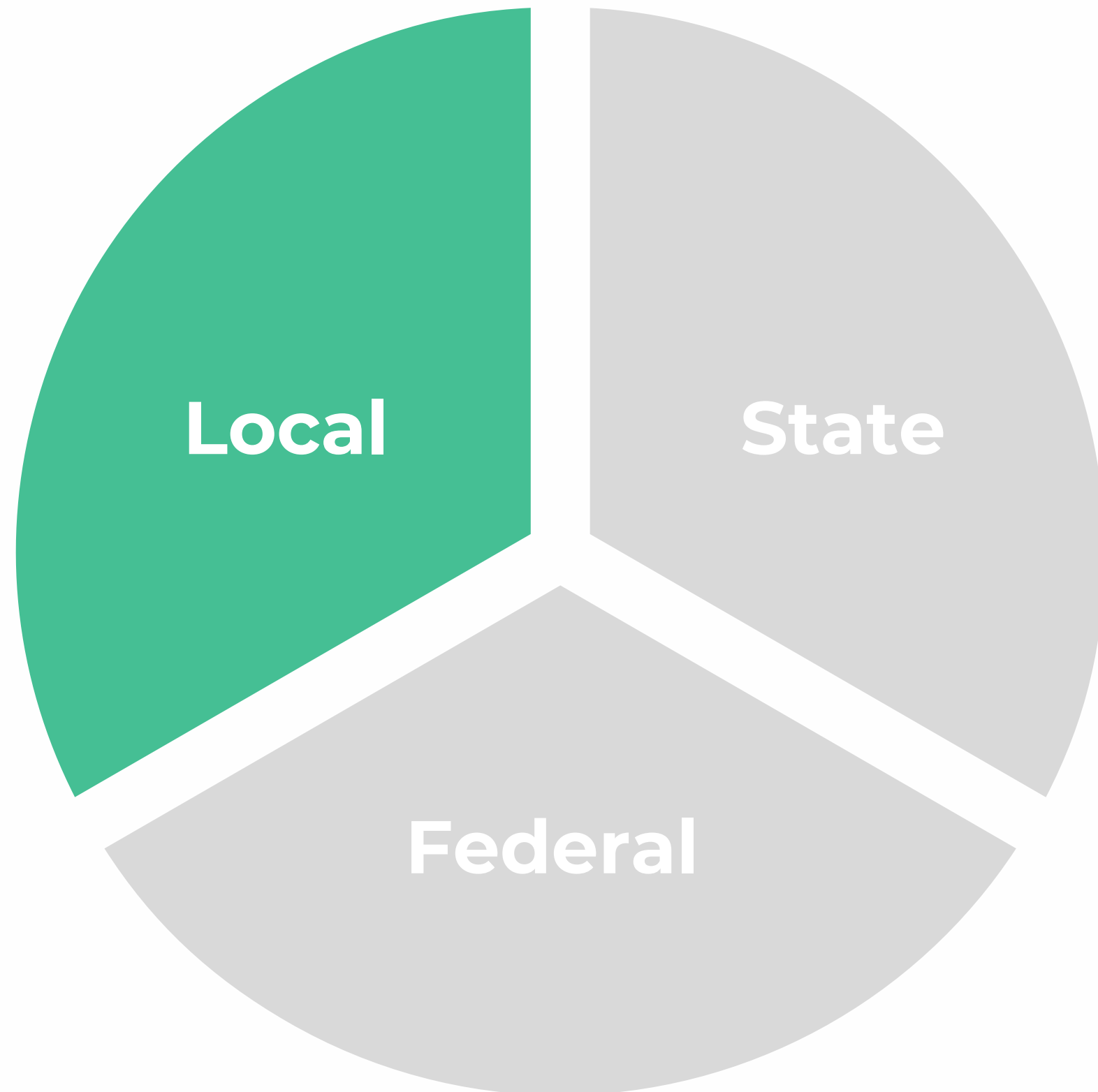
Amount the state assumes can be raised locally based on property wealth; Local Fund Assignment (**Current year state value**/100*MCR)

PUBLIC SCHOOL REVENUE SOURCES



LOCAL REVENUE SOURCES

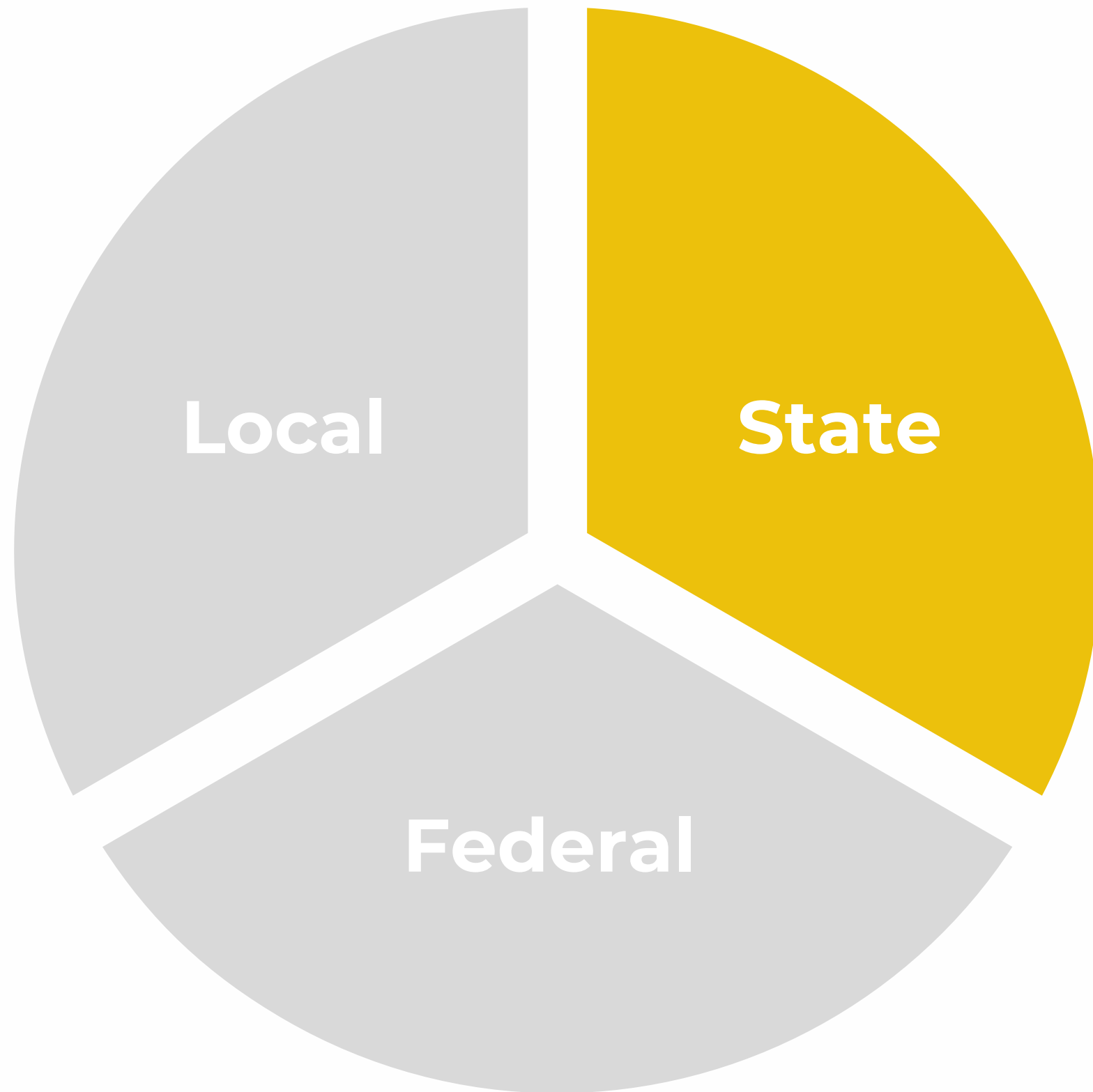
Local Revenue for Abilene ISD is 31% of General Fund budgeted revenue.



- Property Tax Collections - 94%
- Interest Income on Investments - 3%
- Ticket Sales (Athletics/Fine Arts) - 1%
- Misc. Revenues - 2%

STATE REVENUE SOURCES

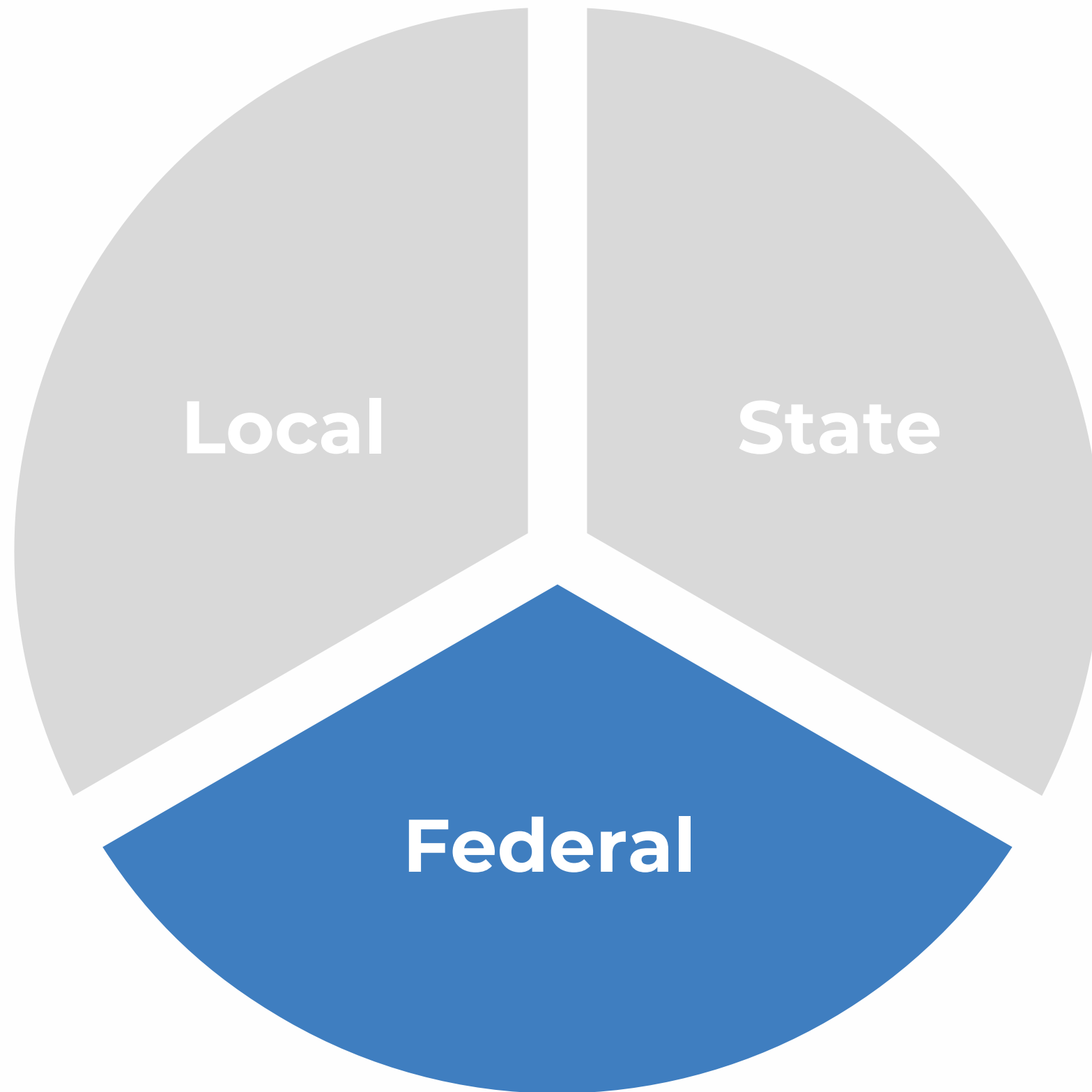
State Revenue for Abilene ISD is 67% of General Fund budgeted revenue.



- Available School Fund and Foundation School Program State Aid - 92%
- TRS On-Behalf - 8%

FEDERAL REVENUE SOURCES

Federal Revenue for Abilene ISD is 2% of General Fund budgeted revenue.

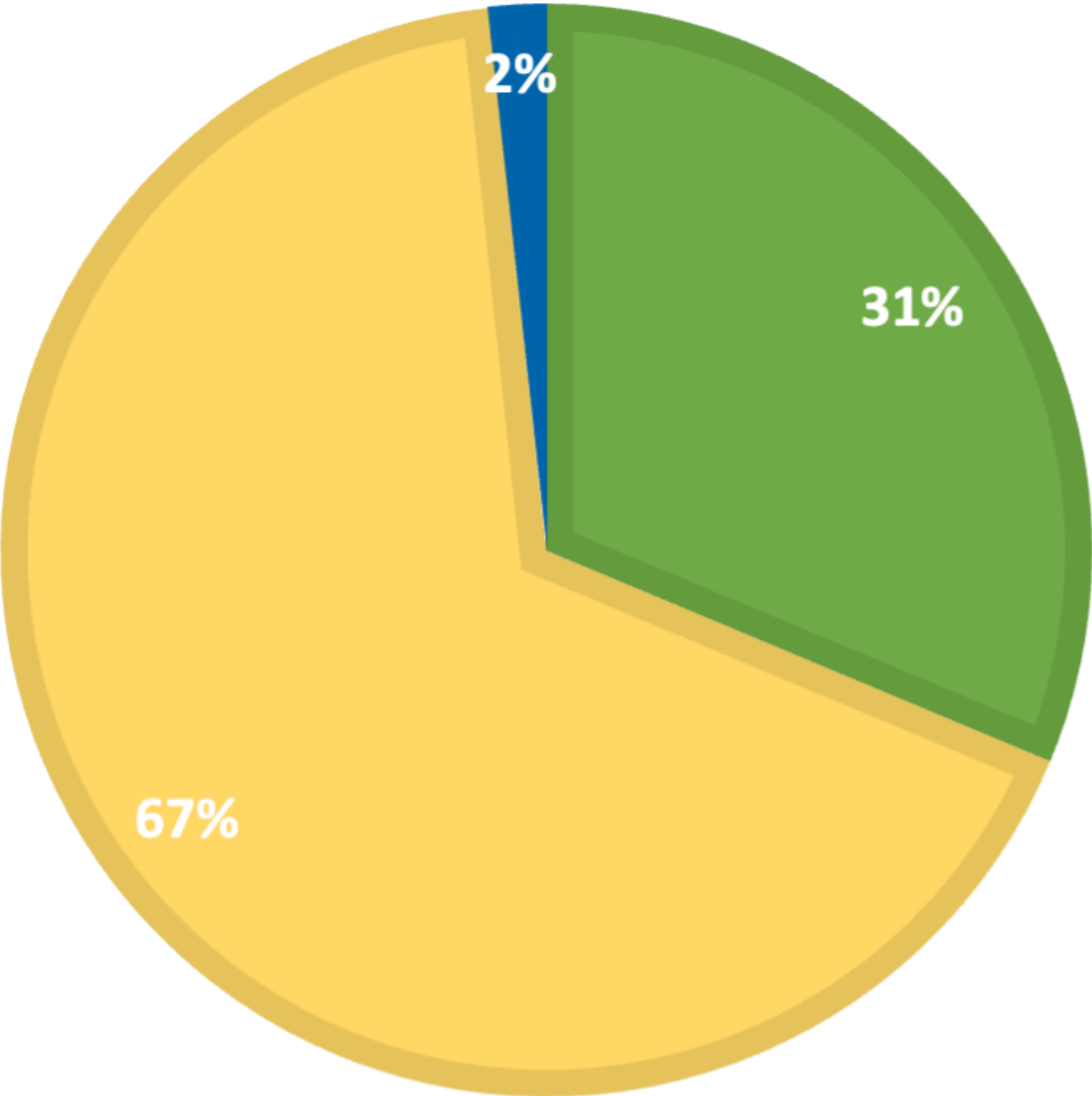


- SHARS - 42%
- Indirect cost on federal grants - 32%
- QSCB - 15%
- Impact Aid - 11%

Note: federal grants are accounted for in special revenue funds.

ABILENE ISD REVENUE SOURCES

Local State Federal





Property Taxes

TAX RATE COMPONENTS



Maintenance & Operations Tax Rate

day to day operations including payroll, programs, maintenance & utilities, supplies; broken into two segments



Interest & Sinking Tax Rate

principal and interest on the district's debts, assumed through the sale of voter-authorized bonds

TAX RATE COMPONENTS



Operations

- Employee Salaries & benefits
- Classroom supplies & equipment
- Transportation
- Utilities & Insurance
- Athletics/fine arts/extracurricular
- Legal & Audit Services



Debt Service

- Principal and interest payments on voter-approved bonds
- **CANNOT** be used for day to day operational costs

TAX RATE COMPONENTS

M&O

Tier 1



**Compressed
Maximum
Tax Rate
(MCR)**

Tier 2



**Golden
Pennies**

**8 Total
Available**

Voter Approved

AI SD has 5



**Copper
Pennies**

**9 Total
Available**

Voter Approved

AI SD has 0

I&S



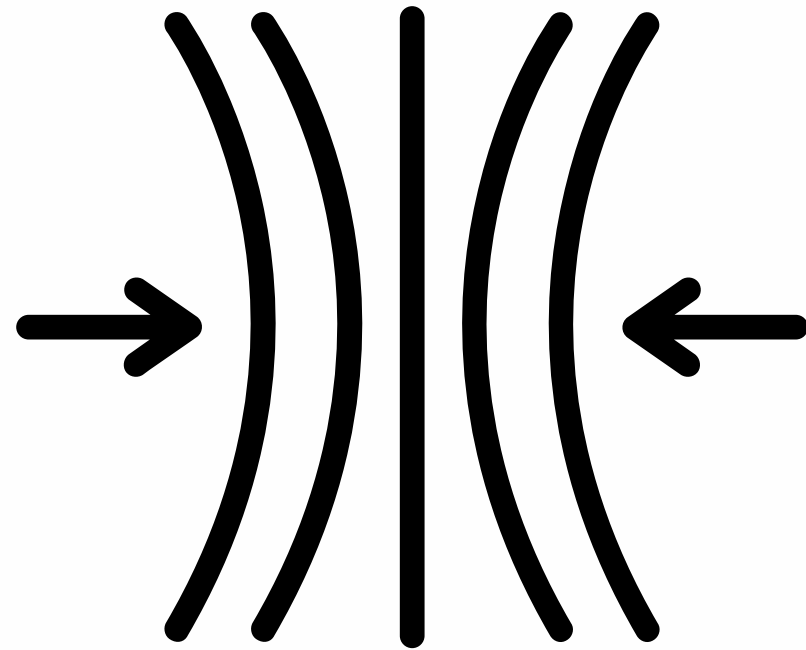
**Set by
Board to
service
existing
voter
approved
debt**

MCR - MAXIMUM COMPRESSED TAX RATE

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

90%

Districts would be penalized if they did not tax at MCR by lowered Basic Allotment.



No district may have an MCR less than 90% of any other district.



MAINTENANCE & OPERATIONS (M&O TAX) TIERS

M&O Tax Rate has two parts: Tier 1 Rate & Tier 2 Rate

Tier 1



**Compressed
Maximum
Tax Rate
(MCR)**


The **Tier 1** rate (Maximum Comparessed Rate - MCR) is **set by the state**.

- Funds the district's foundation entitlement
- Tier 1 calculation is based upon:
 - Number of students in average daily attendance (**ADA**)
 - District demographics
 - Student demographics
 - Various Allotments
- Rising property values compress this rate
 - rate has **decreased from \$0.9642 to \$0.6390 since 2019**
- **Basic Allotment** per student in ADA, which is set in the General Appropriations Act (Set in 2019 at \$6160.00)

MAINTENANCE & OPERATIONS (M&O TAX) TIERS

The **Tier 2** rate refers to the district “**enrichment**” entitlement

Tier 2




Golden Pennies

8 Total Available

Voter Approved

AISD has 5



Copper Pennies

9 Total Available

Voter Approved

AISD has 0

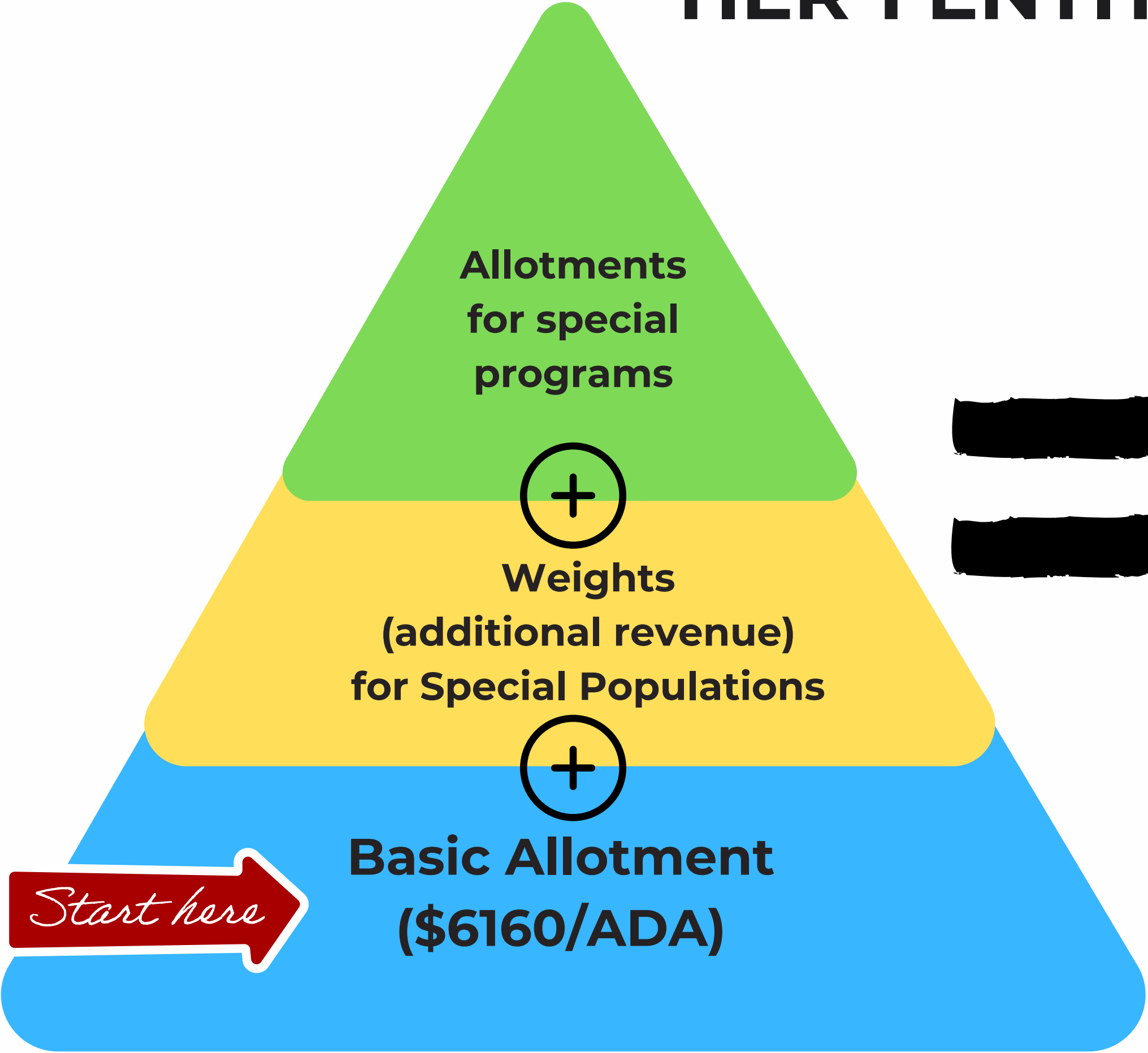
The **Tier 2** rate is **approved by voters**.

- The calculation is based on:
 - Number of students in Weighted average daily attendance (**WADA**)
 - Number of pennies of tax effort
- Guaranteed amounts for pennies of tax effort are set in statute and/or General Appropriations Act called the **Guaranteed Yield** per penny



State Aid

TIER 1 ENTITLEMENT



=

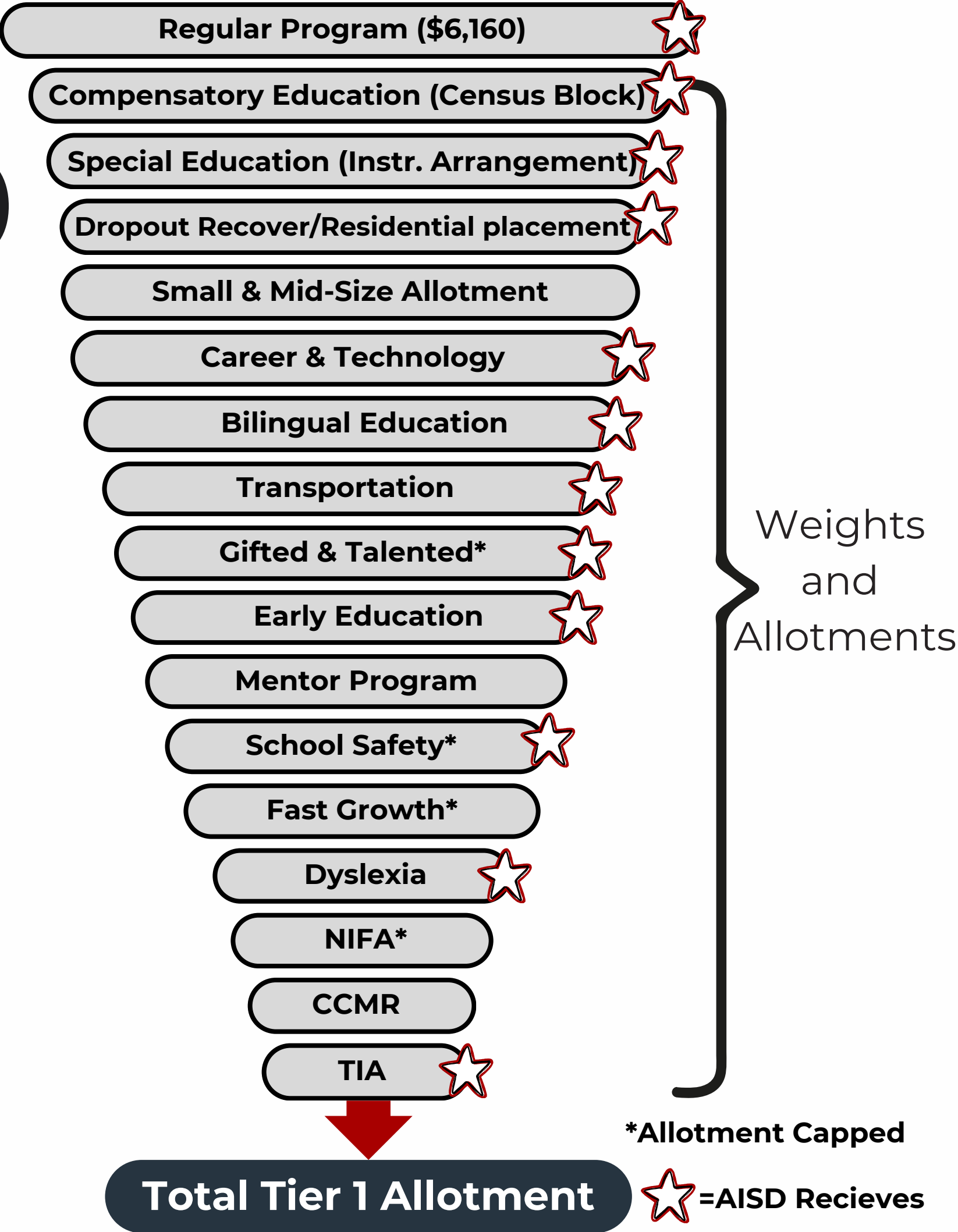


REVENUE

CALCULATION OF TIER 1 ENTITLEMENT (REVENUE)

Basic Allotment: \$6160
Per Student/set by TEC CH 48

Tier 1 Cost =
Allotment =
Entitlement



FUNDING THE TIER 1 ENTITLEMENT

**WHO IS GOING
TO PAY FOR
THIS?**

**TIER 1
ENTITLEMENT**

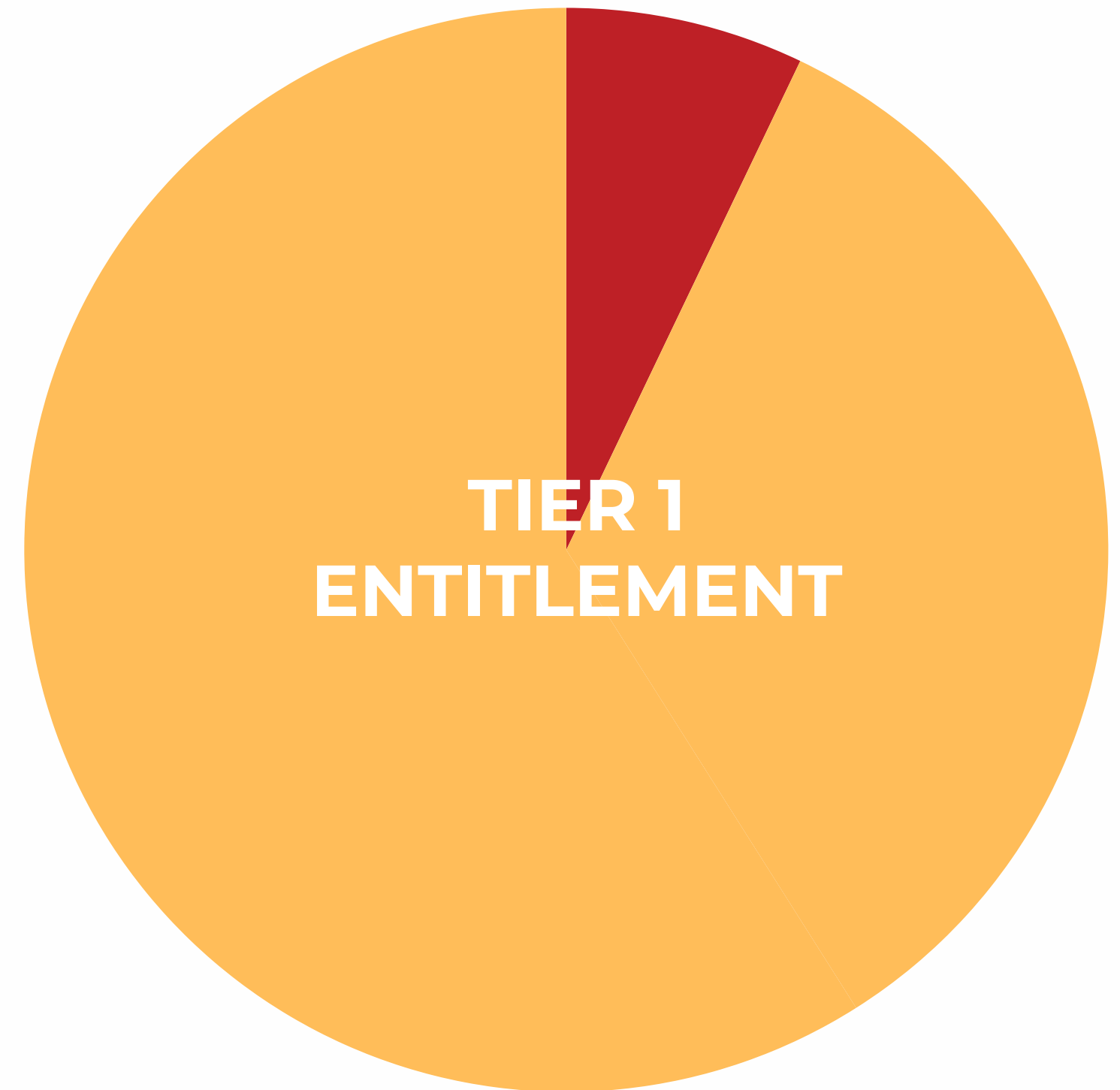
FUNDING THE TIER 1 ENTITLEMENT

ASF

(AVAILABLE SCHOOL FUNDS)

SET BY THE STATE EACH YEAR

ABILENE ISD = 7% OF ENTITLEMENT



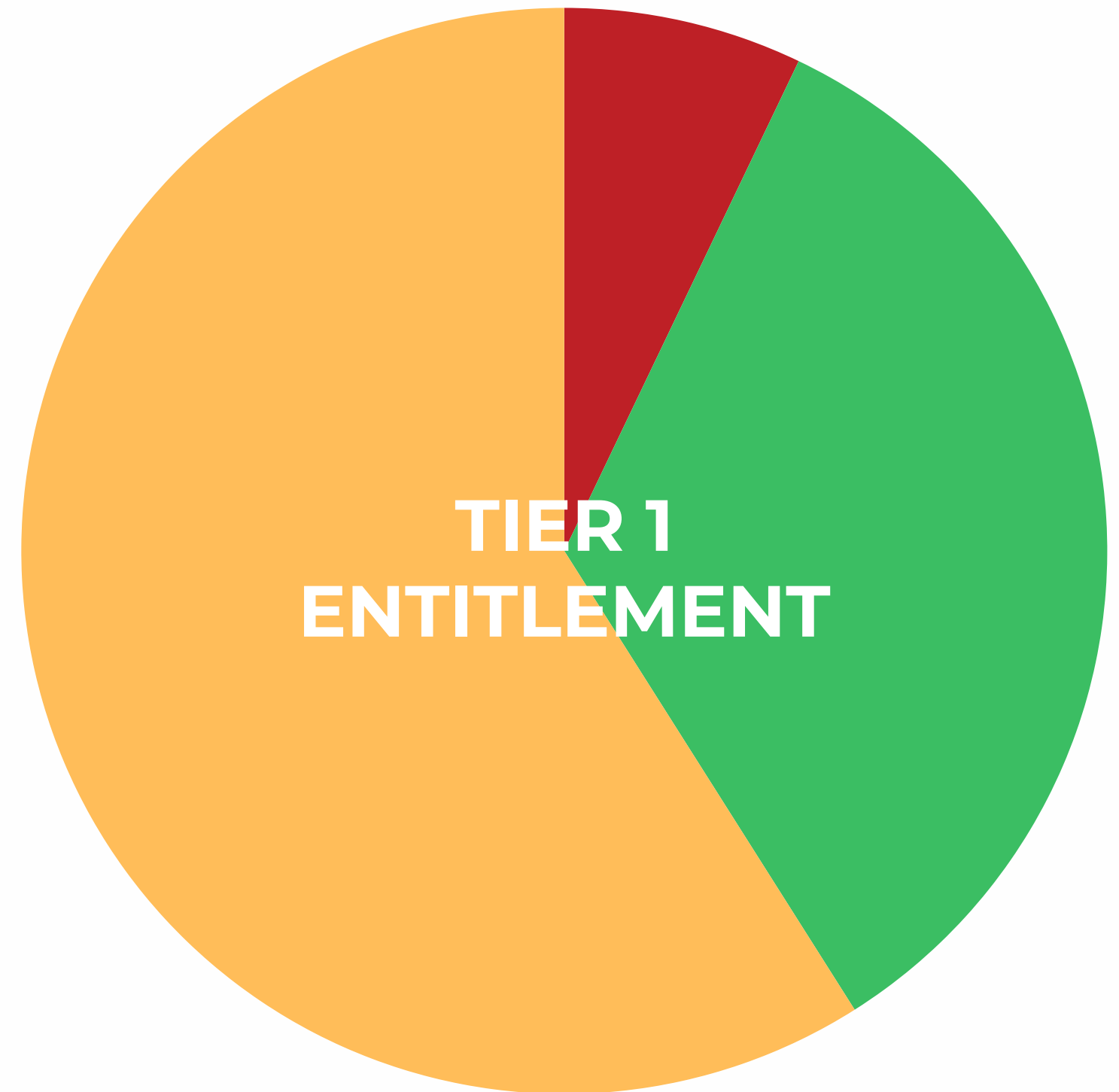
FUNDING THE TIER 1 ENTITLEMENT

LFA

(LOCAL FUND ASSIGNMENT)

PROPERTY TAXES

ABILENE ISD = 34% OF ENTITLEMENT



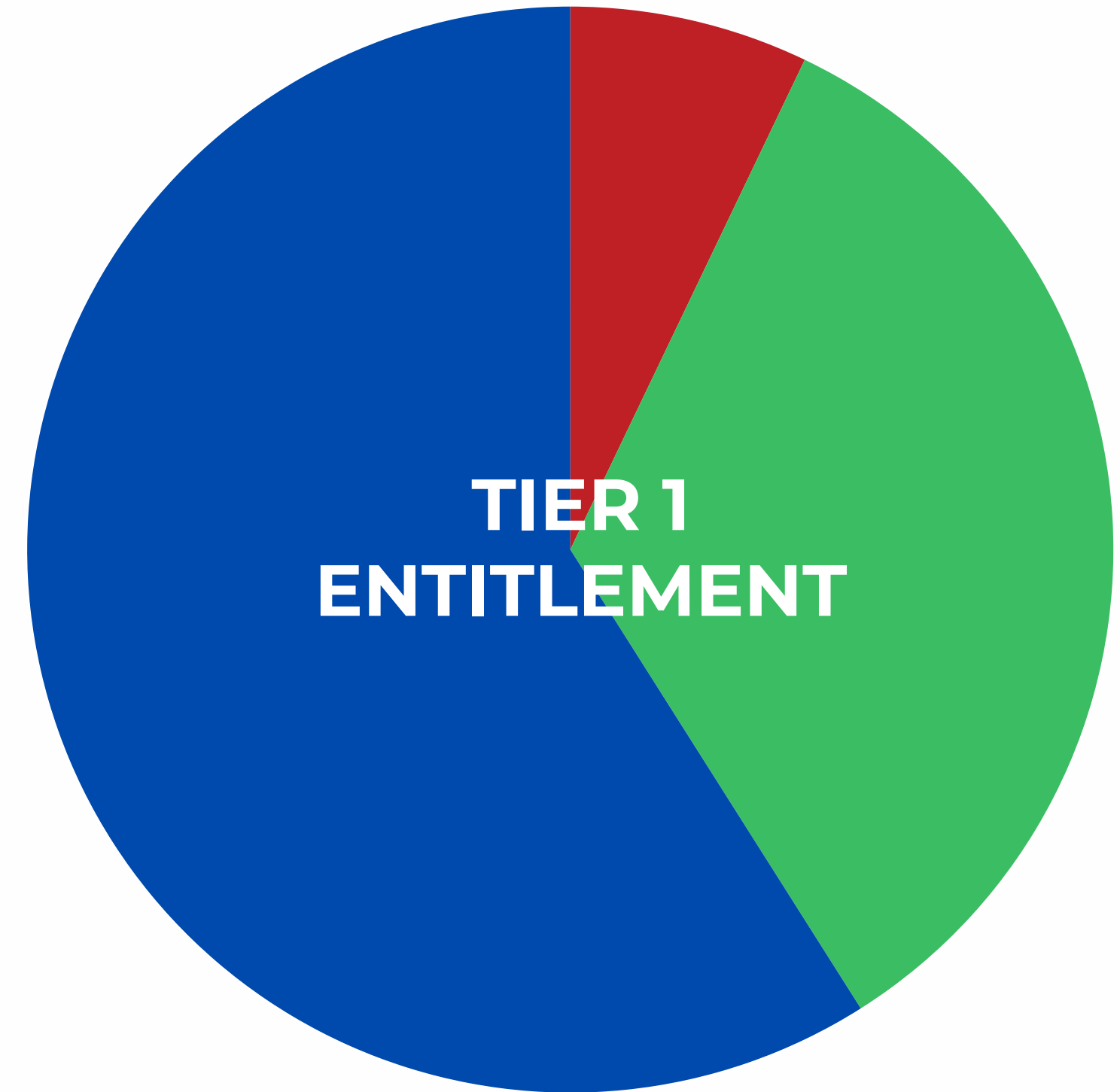
FUNDING THE TIER 1 ENTITLEMENT

FSP

(FOUNDATION SCHOOL FUND)

**State Funds - only if needed to
complete the Tier 1 entitlement**

ABILENE ISD = 59% OF ENTITLEMENT



TIER 2 ENRICHMENT

Tier 2



**Golden
Pennies**

**8 Total
Available**

Voter Approved

AI SD has 5



**Copper
Pennies**

**9 Total
Available**

Voter Approved

AI SD has 0

GOLDEN PENNIES

- GUARANTEED YEILD = \$129.52 PER WADA

COPPER PENNIES

- GUARANTEED YEILD = \$49.28 PER WADA

If a district's tax base cannot generate this guaranteed revenue, the state provides the rest.

TIER 2 LOCAL VS. STATE



2024-2025 Tier Two Detail Report

ABILENE ISD (221901)

Last Update: APR 23, 2025

Payment Cycle: Preliminary

Payment Class: 2

Run Id: 45451

Tier Two Detail		LPE	DPE
1.	WADA (Weighted Students in Average Daily Attendance)	19,062.224	18,019.794
Level 1 - Golden Pennies			
2.	M&O Collections for Level 1	\$3,009,915	\$3,009,915
3.	District Tax Rate Level 1 (DTR1) ((M&O collections for level 1 * 100)/2024 state certified district property value (DPV))	\$0.0502	\$0.0502
4.	Level 1 Entitlement@\$129.52 (WADA * 129.52 * DTR1 * 100)	\$12,394,075	\$11,716,297
5.	Less Local Share (LR) ((2024 DPV / 100) * DTR1)	(\$3,009,277)	(\$3,009,277)
6.	Guaranteed Yield Allotment ((\$129.52 * WADA * DTR1 * 100) - LR)	\$9,384,798	\$8,707,020
Level 2 - Copper Pennies			
7.	M&O Collections for Level 2	\$0	\$0
8.	District Tax Rate Level 2 (DTR2) ((M&O collections for level 2 * 100)/2024 state certified district property value (DPV))	\$0.0000	\$0.0000
9.	Level 2 Entitlement @\$49.28 (WADA * 49.28 * DTR2 * 100)	\$0	\$0
10.	Less Local Share (LR) ((2024 DPV / 100) * DTR2))	(\$0)	(\$0)
11.	Guaranteed Yield Allotment ((\$49.28 * WADA * DTR2 * 100) - LR)	\$0	\$0
Total Tier Two State Aid			
12.	Total Tier Two State Aid (Line 6 + Line 11)	\$9,384,798	\$8,707,020

AI SD Golden Pennies

Tier 2 Level 1 (Golden)

Local Share

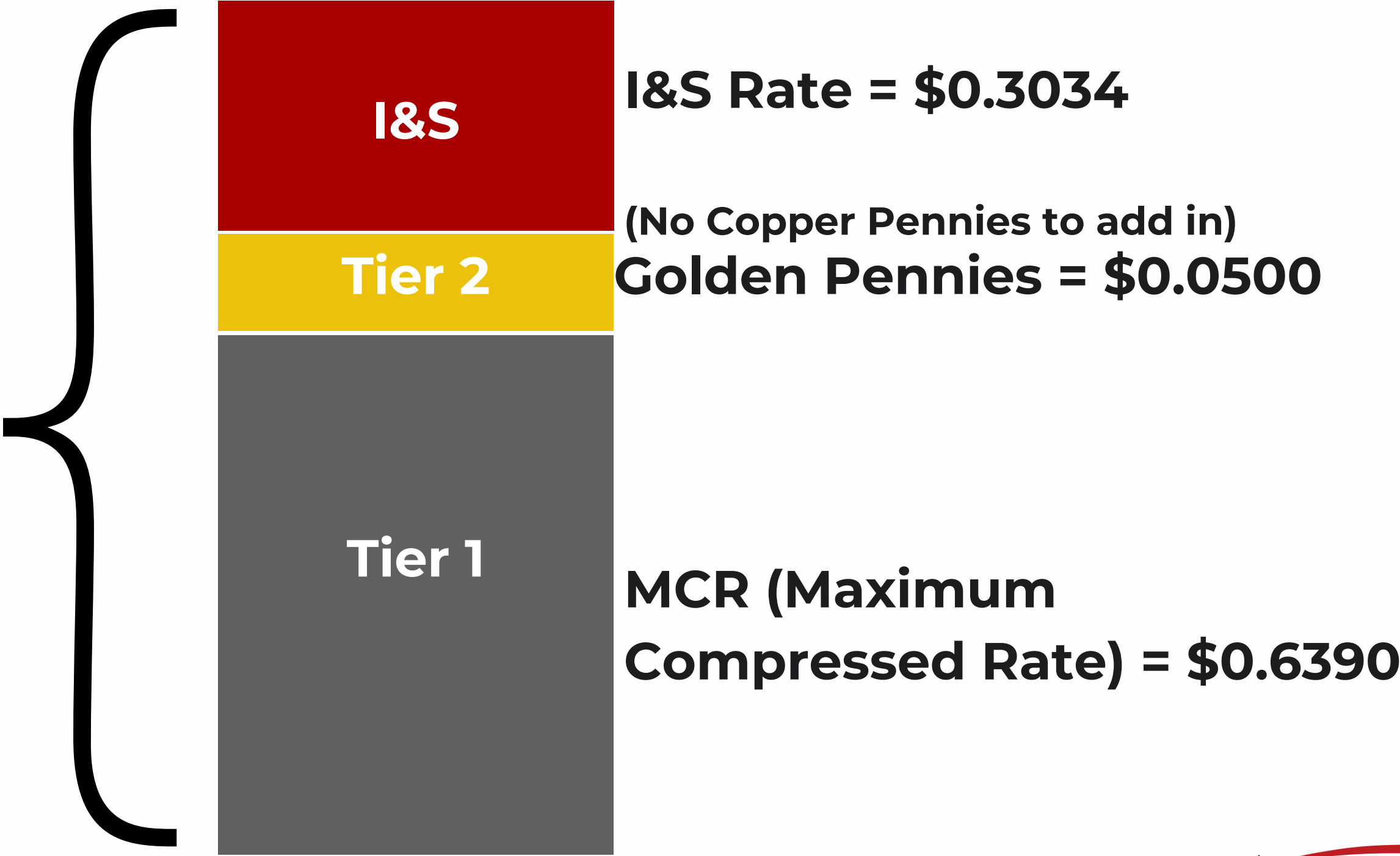
State Share



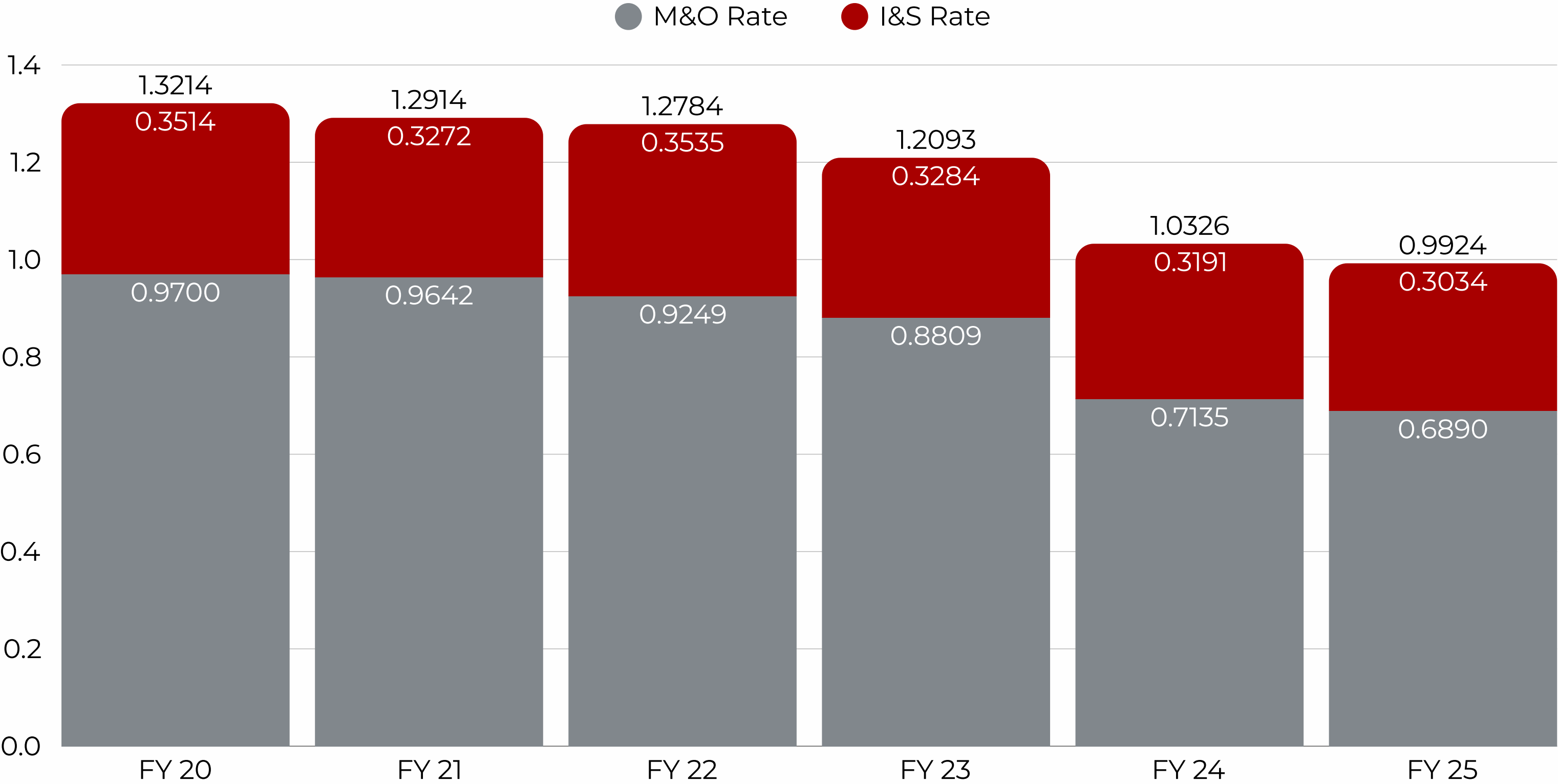
ABILENE ISD FISCAL YEAR 2024-2025

TAX RATE - \$0.9924

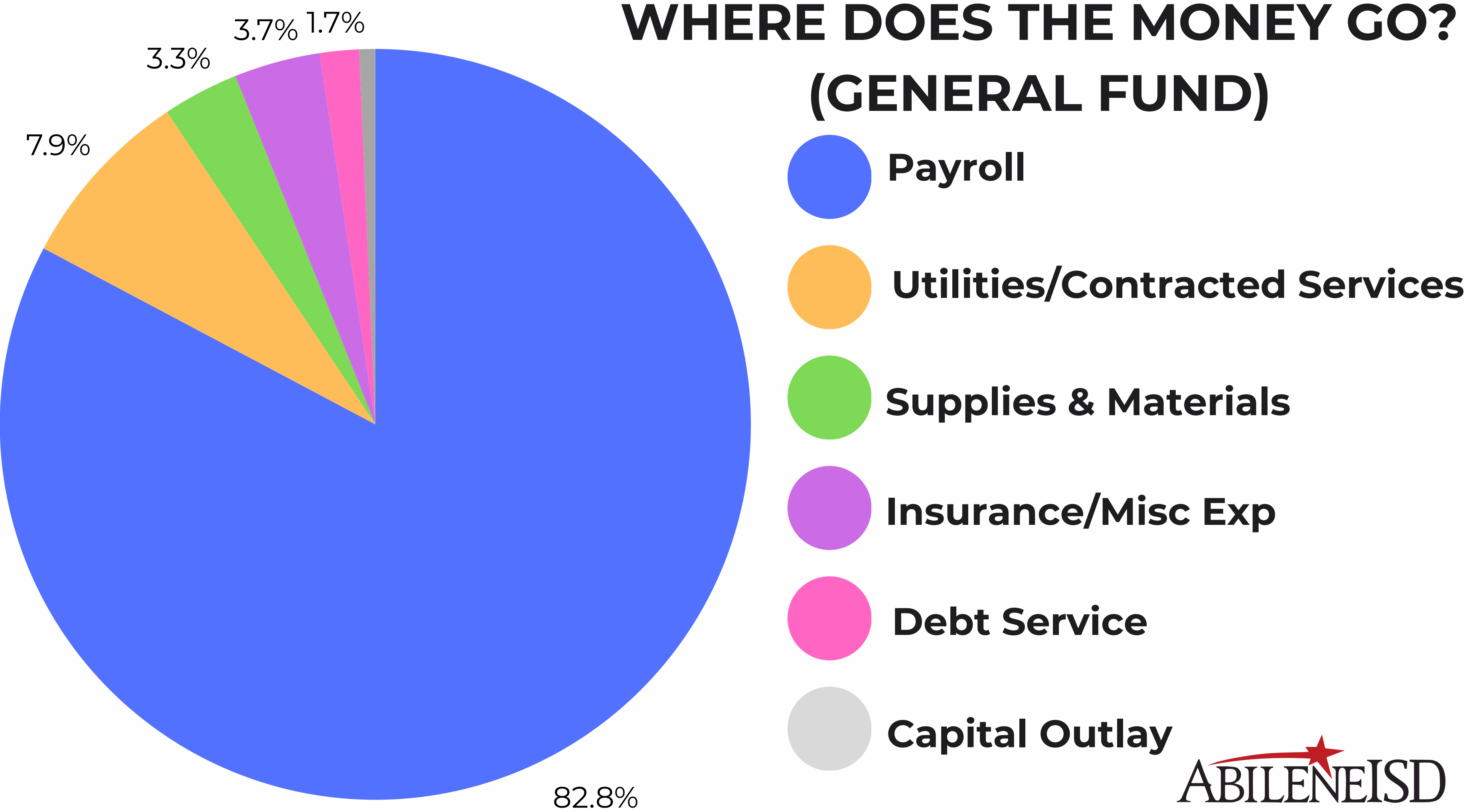
**Total Tax
Rate
\$0.9924**



ABILENE ISD TAX RATE HISTORY



WHERE DOES THE MONEY GO? (GENERAL FUND)



QUESTIONS?

THANK YOU!