



SCHOOL FINANCE 201

JENNIFER HINDS
CHIEF FINANCIAL OFFICER

School Finance 201

May 2026

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



FINANCE 101 REFRESHER: KEY ELEMENTS



Basic Allotment

State established funding amount per student (**Currently \$6,215 increased \$55 in 89th Legislative Session**)



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

FINANCE 101 REFRESHER: ACROYNMS

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 \$471.19 set June 2025

MCR

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

LFA

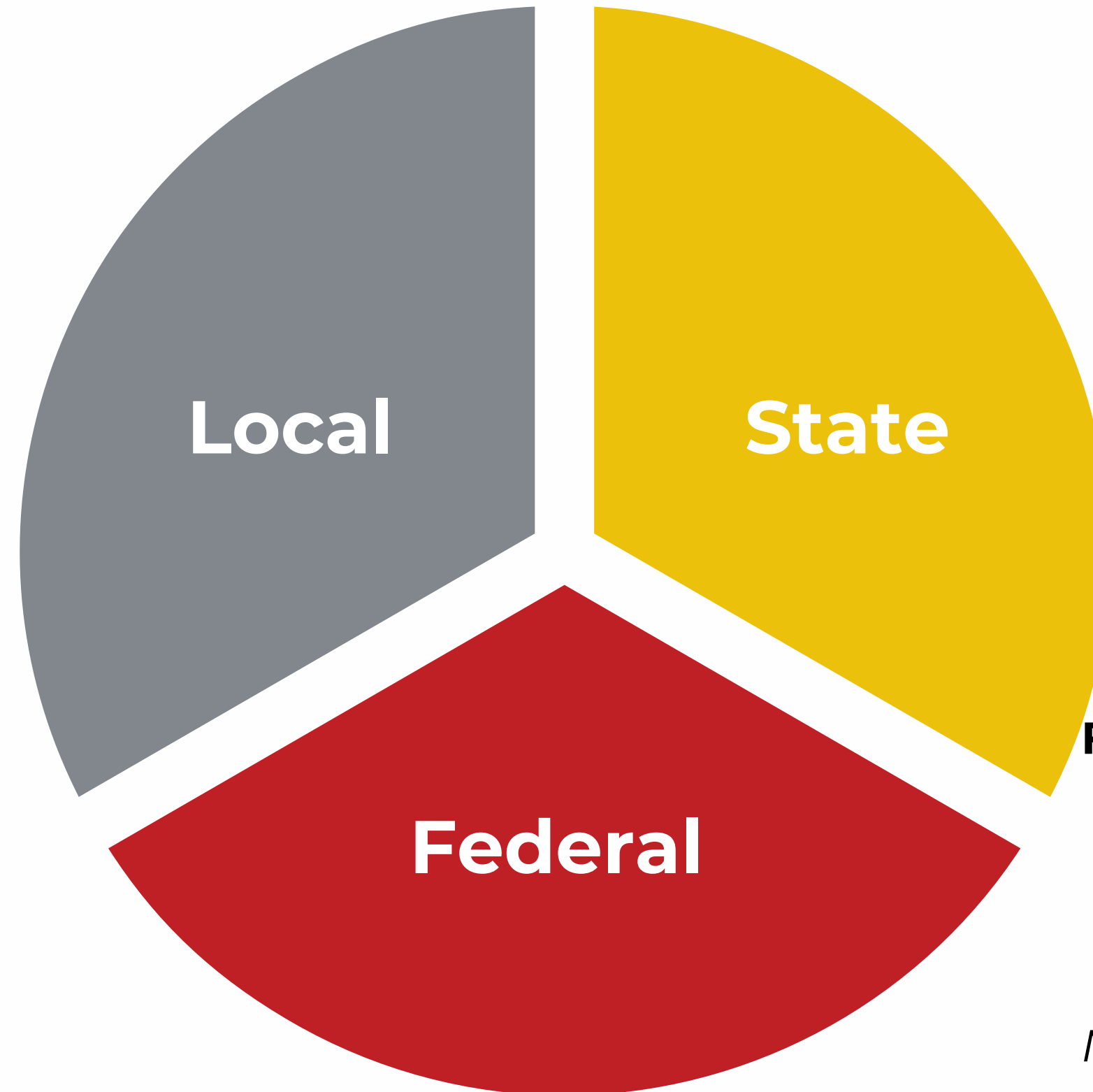
Amount the state assumes can be raised locally based on property wealth; Local Fund Assignment (**Current year state value***/100xMCR)

***Data elements not known until year is over.**

***Data element estimated a year in advance.**

FINANCE 101 REFRESHER: REVENUE SOURCES

- Local Revenue**
- Property Tax Collections
 - Interest Income on Investments
 - Ticket Sales (Athletics/Fine Arts)
 - Misc. Revenues



- State Revenue**
- Available School Fund and Foundation School Program State Aid
 - TRS On-Behalf

- Federal Revenue**
- SHARS
 - Indirect cost on federal grants
 - QSCB
 - Impact Aid

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

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



**Maximum
Compressed
Tax Rate
(MCR)**

Tier 2



**Golden
Pennies**

**8 Total
Available**

Voter Approved

AI SD has 8



**Copper
Pennies**

**9 Total
Available**

Voter Approved

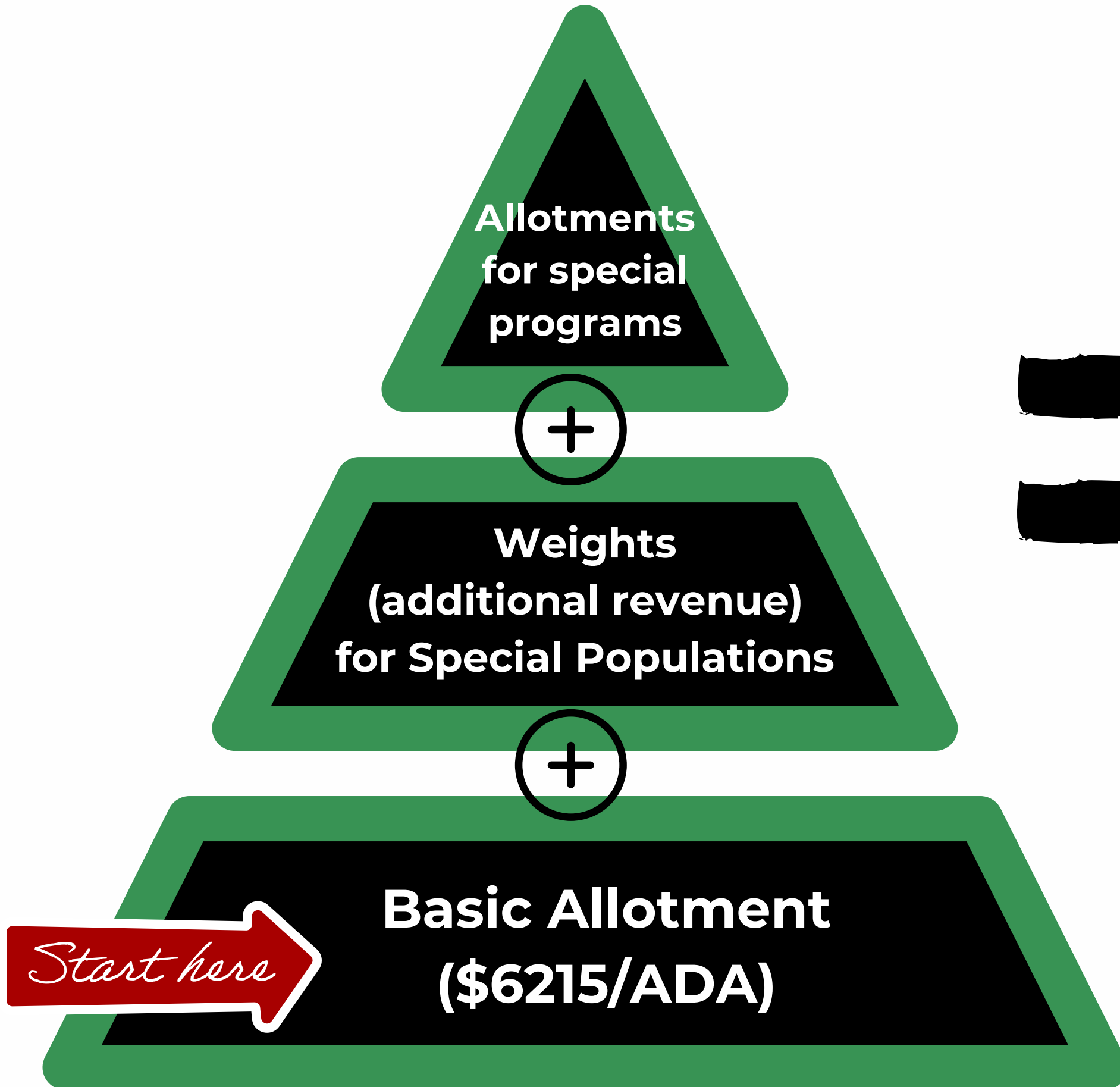
AI SD has 3

I&S



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





TIER 1 ENTITLEMENT

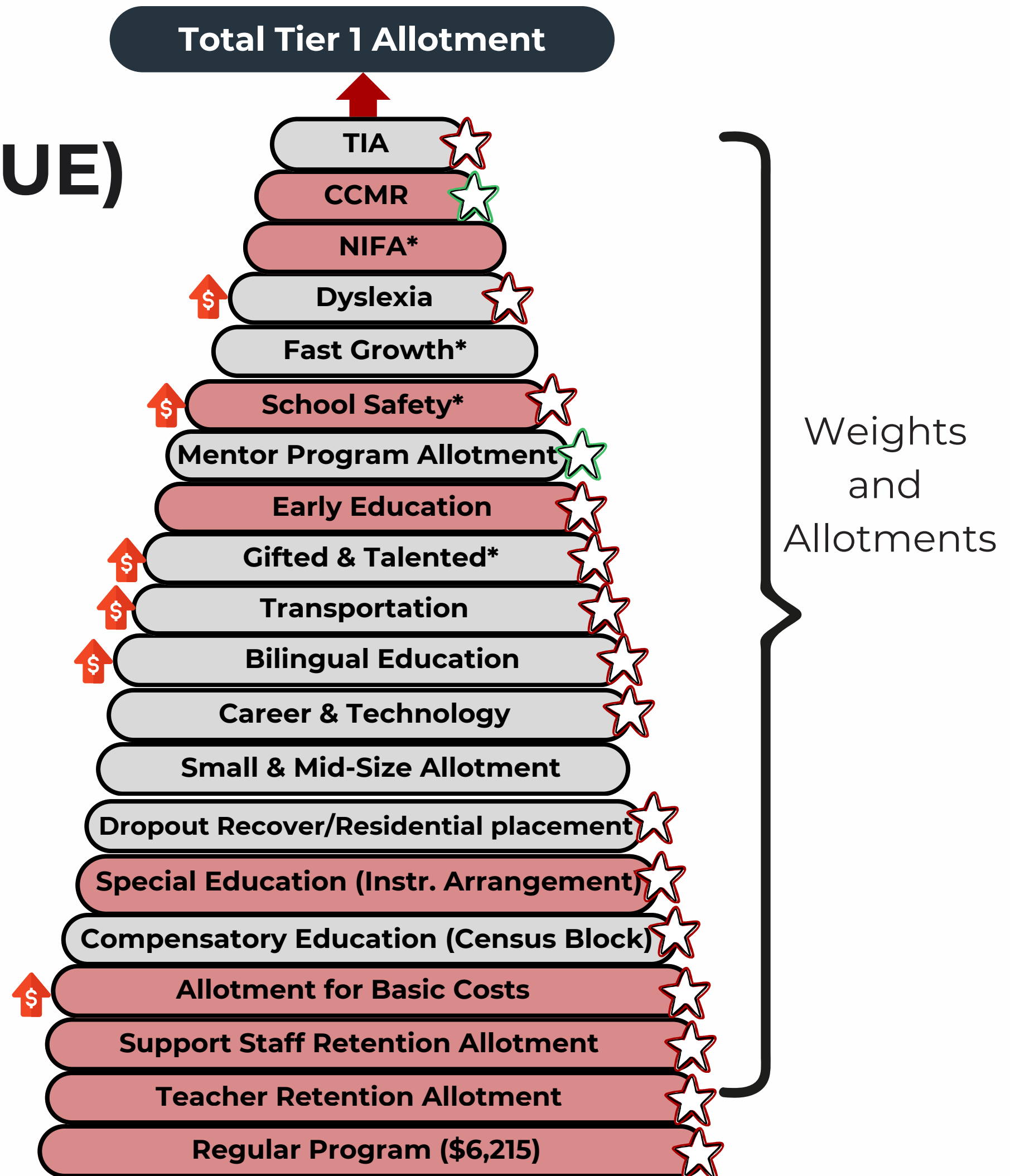


CALCULATION OF TIER 1 ENTITLEMENT (REVENUE)

Basic Allotment: \$6,215
Per Student/set by TEC CH 48

**Tier 1 Cost =
Entitlement=
Revenue**

-  =AISD Receives
-  =New for AISD
-  =Costs exceed available funding
-  =HB 2 Add/Funding Change
- *Allotment Capped



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

FY26 ABILENE ISD = 7% OF ENTITLEMENT

LFA

(LOCAL FUND ASSIGNMENT)

Property Taxes

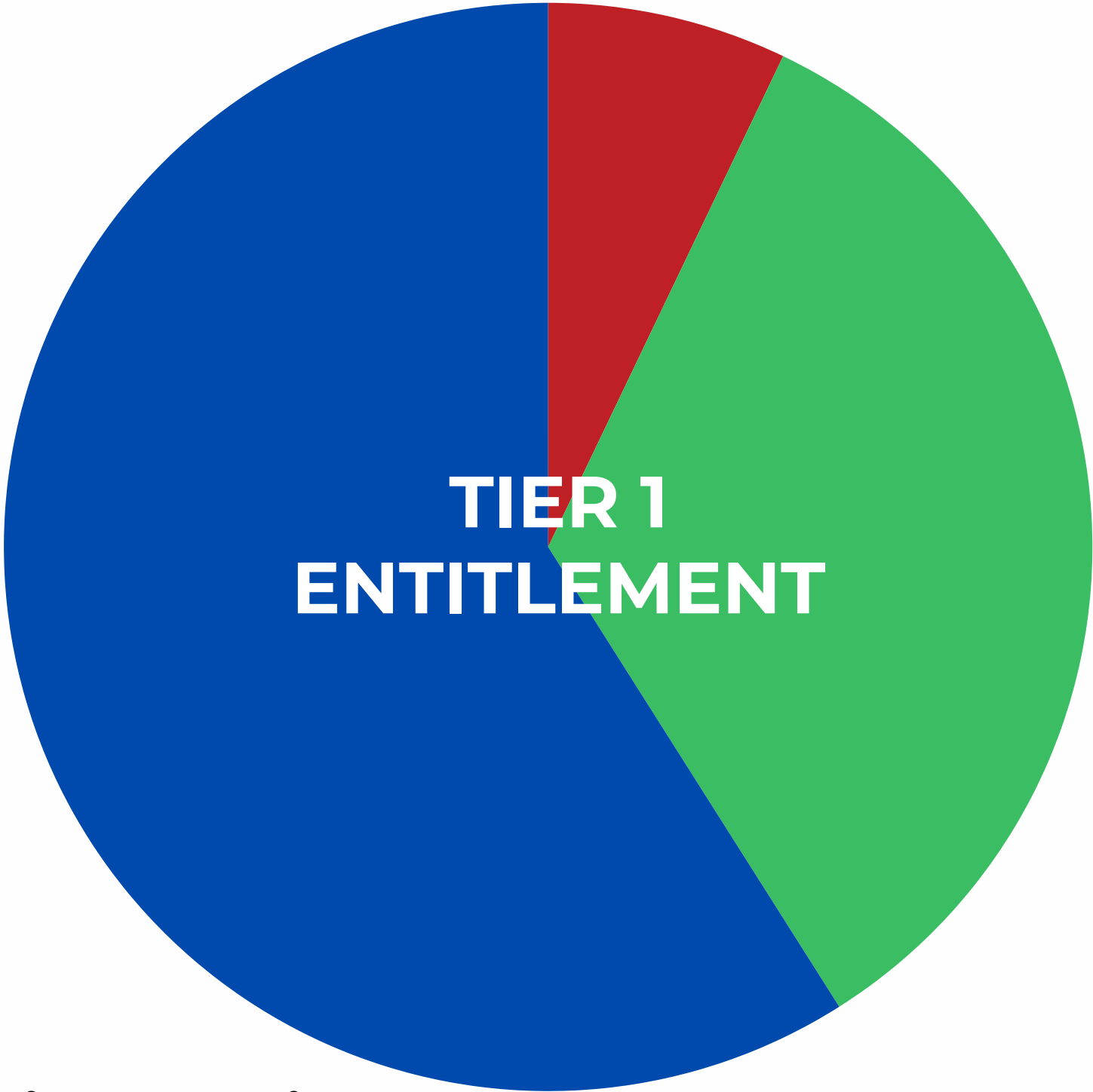
FY26 ABILENE ISD = 34% OF ENTITLEMENT

FSP

(FOUNDATION SCHOOL FUND)

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

FY26 ABILENE ISD = 59% OF ENTITLEMENT



FUNDING THE TIER 1 ENTITLEMENT

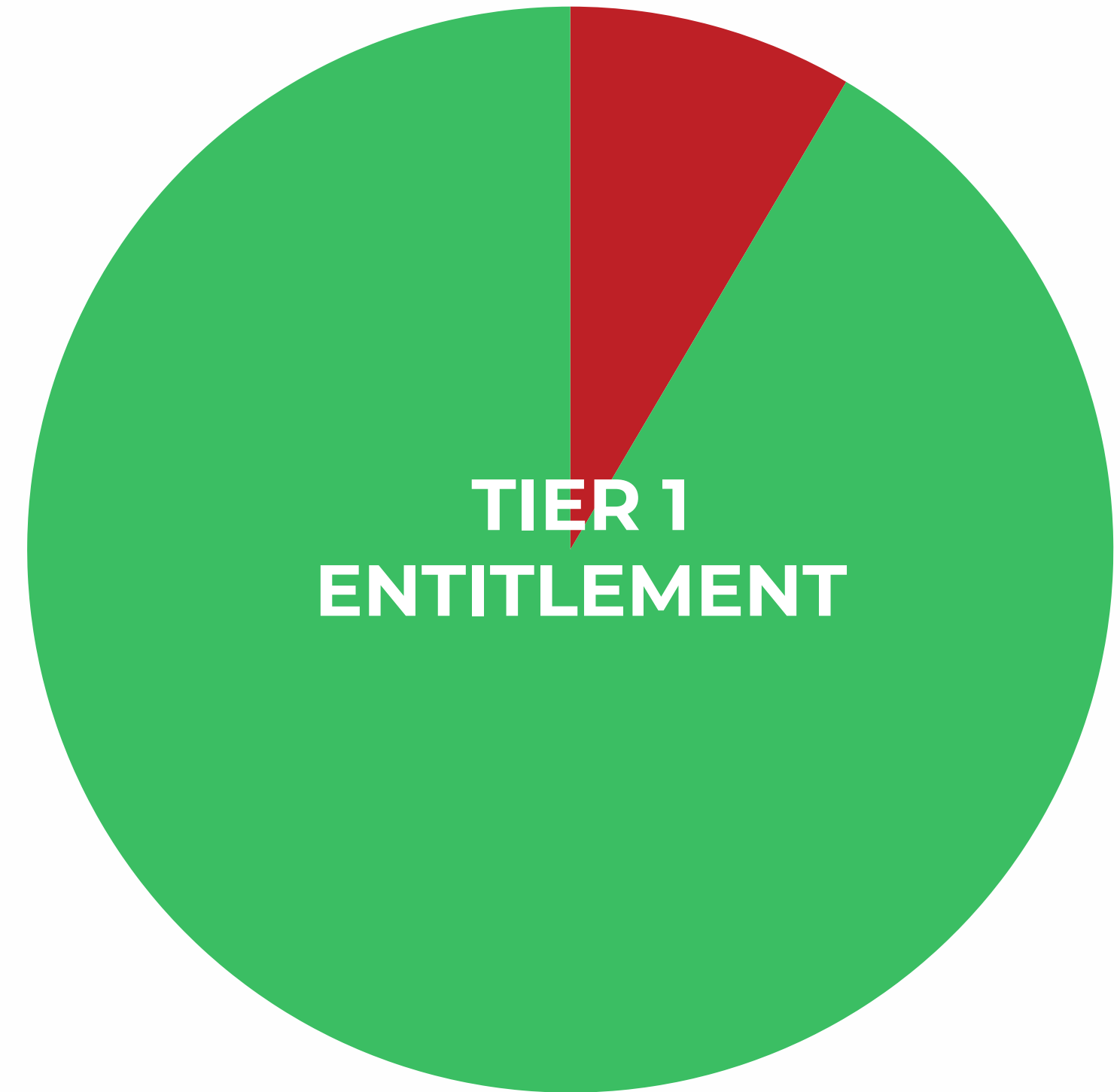
ASF

(AVAILABLE SCHOOL FUNDS)

LFA

(LOCAL FUND ASSIGNMENT)

**What if the LFA
exceeds the
entitlement?**



RECAPTURE: ALSO KNOWN AS...

- Chapter 41 - implemented in 1993
- Robin Hood
- Share the wealth
- Wealth Equalization
- Chapter 49 - HB 3
Changes Ch. 41 in 2019



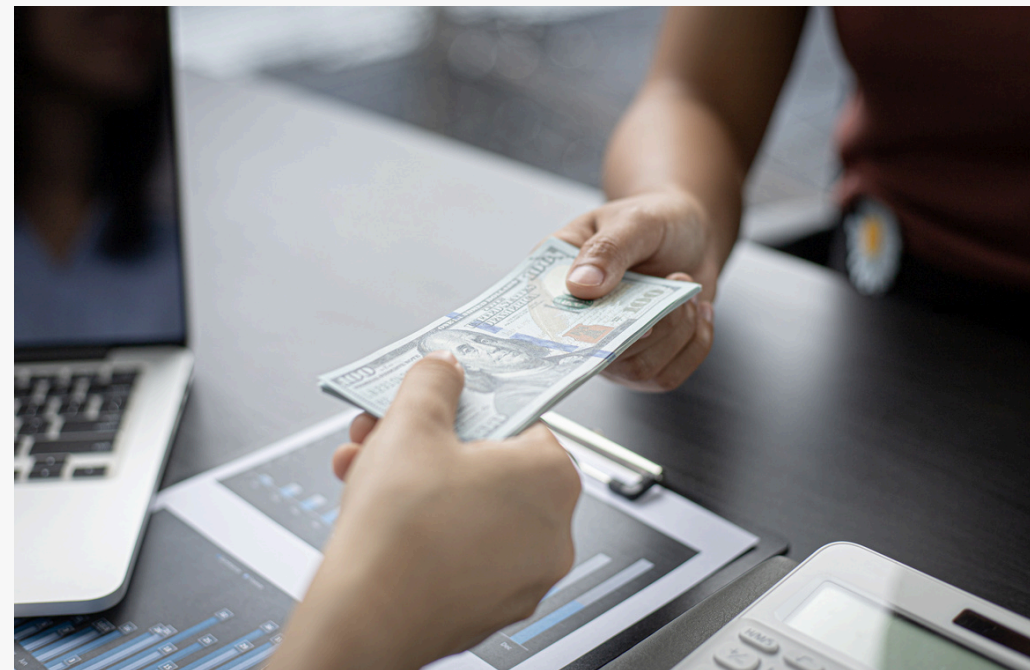
WHY DOES RECAPTURE EXIST?

Property Wealth



Districts that are deemed property-wealthy share a portion of their property tax revenue.

Recapture Funds



Funds paid back to the State.

Wealth Equalization



Recapture paid into the state is then redistributed in an effort to ensure equitable funding across the state.

BASIC SCHOOL FUNDING STRUCTURE

1

Formula
Entitlement

a.k.a. our revenue
(determined by the state)



State Aid



Local Share
(Property Tax)

3

State makes up the
difference to meet the
entitlement amount.

2

Local property tax
revenue collected by
the district.

WHAT CAUSES RECAPTURE?

①

Formula
Entitlement

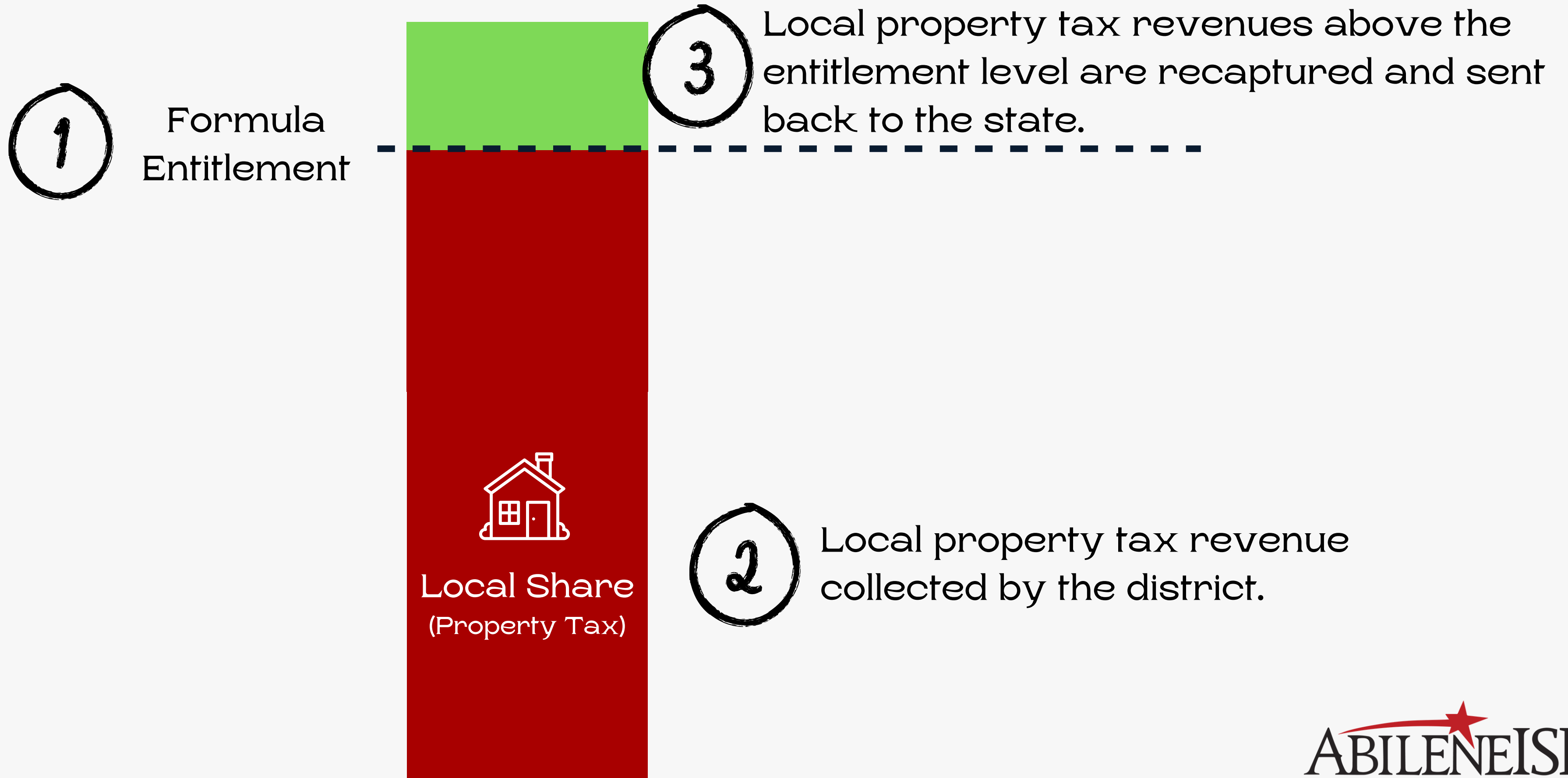


District collects local property tax revenue over the entitlement level.

②

Local property tax revenue collected by the district.

WHAT CAUSES RECAPTURE?



TIER 2 ENRICHMENT

Tier 2



Golden Pennies

8 Total Available

Voter Approved

AISD has 8



Copper Pennies

9 Total Available

Voter Approved

AISD has 3

GOLDEN PENNIES

- GUARANTEED YIELD = \$132.40 PER WADA

COPPER PENNIES

- GUARANTEED YIELD = \$52.44 PER WADA

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

TIER 2 LOCAL VS. STATE



2025-2026 Tier Two Detail Report

ABILENE ISD (221901)

Last Update: APR 10, 2026

Payment Cycle: Preliminary

Payment Class: 2

Run Id: 46695

Tier Two Detail		LPE	DPE
1.	WADA (Weighted Students in Average Daily Attendance)	17,968.659	19,205.239
Level 1 - Golden Pennies			
2.	M&O Collections for Level 1	\$4,711,202	\$4,711,202
3.	District Tax Rate Level 1 (DTR1) ((M&O collections for level 1 * 100)/2025 state certified district property value (DPV))	\$0.0733	\$0.0733
4.	Level 1 Entitlement@\$129.52 (WADA * 129.52 * DTR1 * 100)	\$17,059,114	\$18,233,101
5.	Less Local Share (LR) ((2025 DPV / 100) * DTR1)	(\$4,710,672)	(\$4,710,672)
6.	Guaranteed Yield Allotment ((\$129.52 * WADA * DTR1 * 100) - LR)	\$12,348,442	\$13,522,429
Level 2 - Copper Pennies			
7.	M&O Collections for Level 2	\$1,766,701	\$1,766,701
8.	District Tax Rate Level 2 (DTR2) ((M&O collections for level 2 * 100)/2025 state certified district property value (DPV))	\$0.0275	\$0.0275
9.	Level 2 Entitlement @\$49.72 (WADA * 49.72 * DTR2 * 100)	\$2,456,855	\$2,625,932
10.	Less Local Share (LR) ((2025 DPV / 100) * DTR2))	(\$1,767,305)	(\$1,767,305)
11.	Guaranteed Yield Allotment ((\$49.72 * WADA * DTR2 * 100) - LR)	\$689,549	\$858,627
Total Tier Two State Aid			
Total Tier Two State Aid (Line 6 + Line 11)		\$13,037,991	\$14,381,056

AISD Golden Pennies

Tier 2 Level 1 (Golden)

Local Share

State Share

AISD Copper Pennies

Tier 2 Level 2 (Copper)

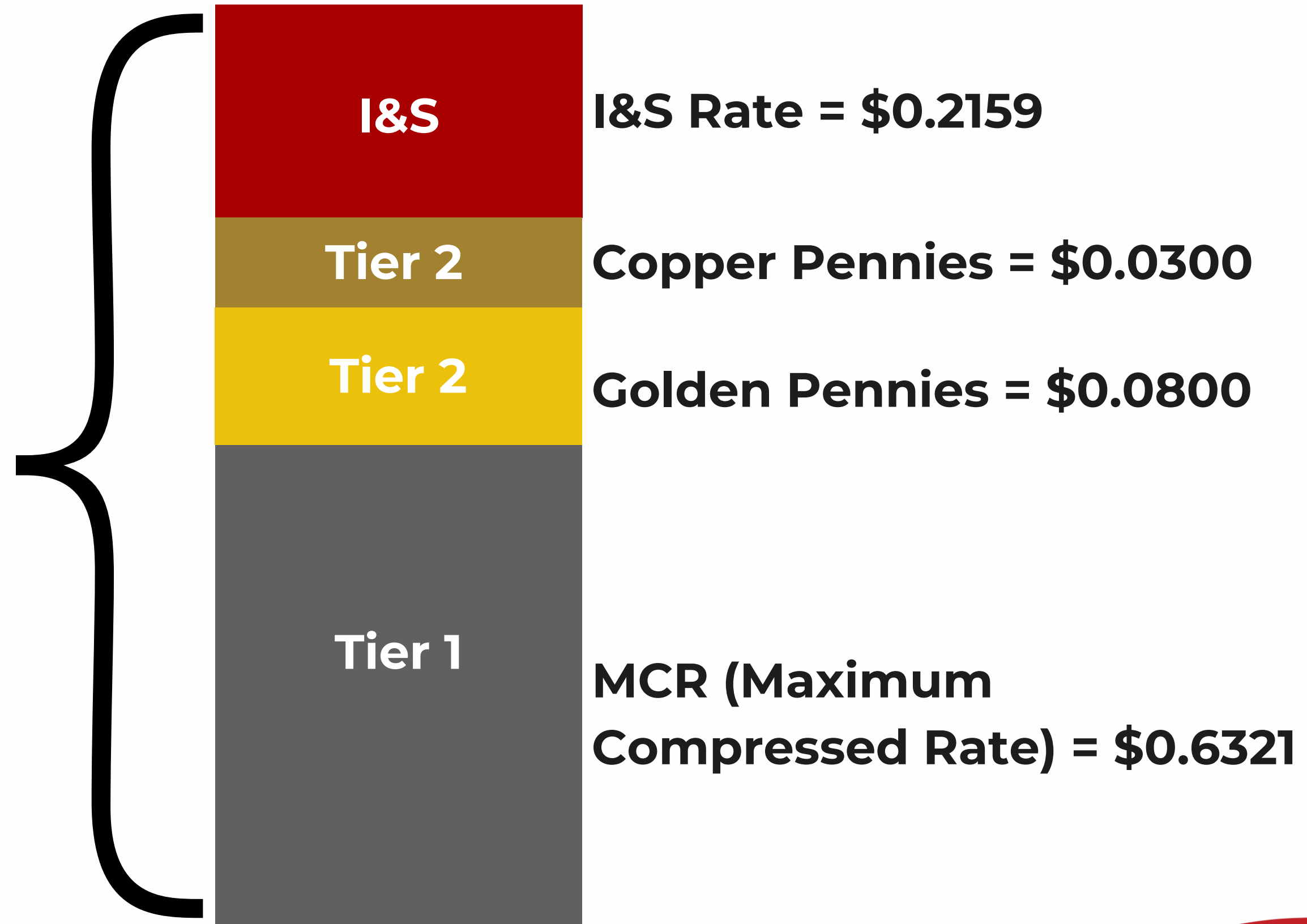
Local Share

State Share



ABILENE ISD FY26 TAX RATE

**Total Tax
Rate
\$0.9580**

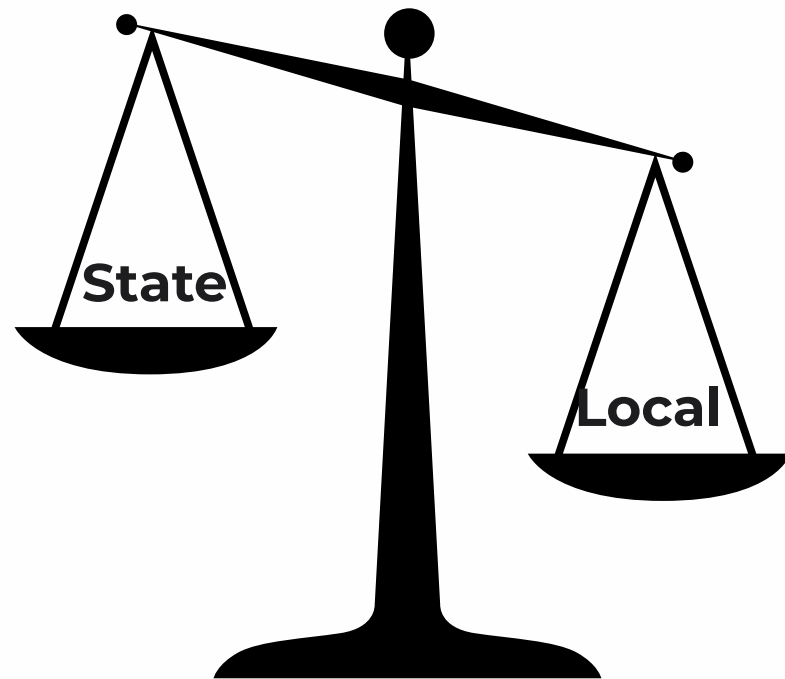


KEY TAKEAWAYS



Rising property values do not automatically increase school district revenue.

When local property tax collections exceed the district's funding entitlement, the excess is subject to recapture and returned to the state.



As local funding increases (due to property value increase), state funding is reduced proportionally.