



## KEY POINTS TO REMEMBER:

- ▶ The scheduled expiration of Formula Transition Grants (FTGs) after 2023-24 with no revenue to replace those grants would result in a sizable funding shortfall for about 100 districts.
- ▶ An increase in the Basic Allotment would help replace – but not increase – the revenue that FTGs now provide while delivering more dollars for classroom instruction to all Texas school districts.
- ▶ Without legislative action to replace FTGs, school districts will likely ask voters to raise local tax rates to prevent funding cuts. In other words, legislative inaction would undermine efforts to control property taxes.
- ▶ School districts need additional revenue to recruit and retain teachers and other employees and pay expenses that have been driven higher by record inflation.

### ISSUES IN FOCUS:

# Formula Transition Grants

*Coming expiration of short-term grants threatens education funding*

**99** DISTRICTS  
AND CHARTERS  
CURRENTLY RECEIVE  
FTG DOLLARS

**\$233**  
MILLION IS THE  
STATEWIDE COST  
OF FTGS

### WHAT IS A FORMULA TRANSITION GRANT?

When legislators approved the House Bill 3 school finance reforms in 2019, they enacted Formula Transition Grants to ensure that all districts would receive at least a 3 percent increase in per-student funding. The grants went to districts that would otherwise see little or no increase under the new HB 3 school finance system.

### HOW WILL SCHOOLS MAKE UP FOR THE FTG REVENUE WHEN IT EXPIRES?

Under current law, the only way that school districts will be able to overcome the loss of funding with their FTGs expire is to hold a Voter-Approval Tax Rate Election, or VATR election, to increase their local property-tax rate for Maintenance & Operations. For many FTG districts, even if voters approved a rate increase up to the highest amount allowed under current law, that still wouldn't be enough to make up for the loss of funding.

### HOW DO WE PREVENT SCHOOL DISTRICTS FROM GOING OVER THE FTG CLIFF?

An increase in the Basic Allotment or other infusion of state funding could help replace FTG revenue. However, putting more state funding into the system and reducing the FTG by the same amount is not a net increase for schools. It would simply be a different way of supplying the same amount of funding. All school districts need additional funding to keep up with rising costs for fuel, supplies, and other expenses driven higher by record inflation.

