



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 more than 200 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

228 DISTRICTS **\$400**
AND CHARTERS WILL GET FTG DOLLARS THIS YEAR **MILLION IS THE CAPPED FTG COST STATEWIDE**

WHAT IS A FORMULA TRANSITION GRANT?

When legislators approved House Bill 3 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. The Legislature capped the cost of FTGs at \$400 million this year, which is now \$231 million short of the true cost of the grants.

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.

