

# Appendix A

## Glossary

This glossary defines some of the technical terms used in this report. To aid the reader, we have boldfaced within each definition other terms that appear in this glossary.

### **Adjusted Allotment**

A district's Adjusted Allotment per student is the product of the **Basic Allotment**, the district's **Cost-of-Education Index** value, and (when applicable) either the **Small District Adjustment** or the **Mid-Sized District Adjustment**.

### **Adjusted Basic Allotment (ABA)**

A district's Adjusted Basic Allotment per student is the product of the **Basic Allotment** and the district's **Cost-of-Education Index** value.

### **All Industries Index**

The All Industries Index is a wage index that is designed to capture variations in labor costs within a region.

### **Average Daily Attendance (ADA)**

Average daily attendance is a method of counting students for the purpose of determining state aid to school districts. Average daily attendance is calculated by dividing the aggregate sum of each day's student attendance during a school year by the number of instructional days in the school year.

### **Basic Allotment**

The Basic Allotment is the initial or starting number that, after various adjustments, is used to calculate **Foundation School Program** costs and state aid to school districts (*see also Tier 1 of the Foundation School Program*). The Basic Allotment in the 1999—2000 school year was \$2,537 per student.

### **Bilingual Education Allotment**

The Bilingual Education Allotment is additional financial support that is provided through the **Foundation School Program** to school districts for each student in **average daily attendance** in a bilingual education or special language program.

### **Cap**

*Cap* is a general term that describes a statutory limit on tax rates, revenues, or increases in school district expenditures.

### **Career and Technology (Vocational) Allotment**

The Career and Technology (Vocational) Allotment is additional financial support that is provided to school districts through the **Foundation School Program** for each full-time-equivalent student (in grades nine through twelve) in **average daily attendance** in an approved career and technology education program, or for each full-time-equivalent student with a disability (in grades seven through twelve) in career and technology education. *Full-time-equivalent* means 30 hours of contact time per week with career and technology education program personnel.

### **Chapter 41 District**

A Chapter 41 District fits the criteria laid out in Chapter 41 of the Texas Education Code, the statutory regulations that pertain to high-wealth school districts. Chapter 41 school districts have property wealth of at least \$295,000 per weighted student, and these districts are subject to recapture of revenue. (*See also **Weighted Students in Average Daily Attendance.***)

### **Compensatory Education Allotment**

The Compensatory Education Allotment is additional financial support that is provided to school districts through the **Foundation School Program**. It is based upon the number of students in a given school district who are participating in the federal free or reduced-price lunch program.

### **Competitive Beginning Average Teacher Salary**

For a given school district, the competitive beginning average teacher salary is the average annual salary of beginning instructional personnel for all other districts in the same county as the district in question *and* all districts in counties that are contiguous to that district's county.

### **Cost-of-Education Index (CEI)**

The Cost-of-Education Index is the mechanism Texas uses to adjust school districts' state aid to account for uncontrollable costs that is, cost differences that are beyond the control of school districts. The existing CEI includes two components: (1) a **price component**, to adjust for uncontrollable variations in teacher payroll costs for all Texas school districts, and (2) a **scale component**, to adjust for differences in economies of scale among districts of varying sizes. (This last applies only to Texas school districts with an **average daily attendance** between 1,600 and 2,000 students.)

### **District Enrichment Tax Rate**

The District Enrichment Tax Rate is a tax rate used in calculating the guaranteed monetary yield in **Tier 2 of the Foundation School Program**. This rate is determined by dividing the local maintenance and operation taxes collected, less the **Tier 1** local share, by the district's taxable property values.

### **Equity**

In school finance, *equity* refers to fair or equal distribution of resources for schooling, taking into account varying student and school district characteristics. The standard used by the Texas Supreme Court is a taxpayer equity standard, which means similar revenue for similar **tax effort**.

In other words, the school finance system is to be property-wealth neutral: a district's property tax base should have little or no impact on its ability to finance the local share of the **Foundation School Program**.

### **Financial and Service Industries Index**

The Financial and Service Industries Index is a wage index designed to capture the wages of workers in financial and service industries, excluding workers in primary and secondary education.

### **Foundation School Program**

The Foundation School Program is a system created in Texas in 1949 to provide an educational foundation for all students. This system features two *tiers* and a separate funding program for facilities. **Tier 1 of the Foundation School Program** provides equalized funding for a basic education program. **Tier 2 of the Foundation School Program** is a guaranteed yield system to provide Texas school districts with substantially equal access to revenue at similar tax rates. (*See also Guaranteed Yield Program.*)

### **Gifted and Talented Student Allotment**

The Gifted and Talented Student Allotment is additional financial support that is provided through the **Foundation School Program** to school districts for each student identified in a program for gifted and talented students. School districts may receive financial support under this allotment for up to five percent of the **average daily attendance**.

### **Guaranteed Yield Program**

The Guaranteed Yield Program is a Texas school finance equalization plan in which the state specifies a revenue yield per student per penny of local **tax effort**. The districts adopt tax rates and levy taxes, and then the state makes up the difference between the local levy and the guaranteed yield. High-wealth districts may raise all of their guaranteed yield revenue from local tax sources.

### **Hedonic Wage Index**

A hedonic wage index describes relationships between wages and the personal characteristics and job skills of individuals from the perspective of either the employee or the employer. Thus, a hedonic wage index accounts for the fact

- That employees care about the quality of their work environment, and employers, about the characteristics of their employees;
- That employees care about monetary compensation, and employers, about the cost of salaries; and
- That workers will choose a job, and employers will hire a worker, that proves satisfactory for both monetary and nonmonetary reasons.

For example, school districts will typically pay more for teachers who have advanced degrees, because of the perception that such teachers will teach more effectively. Similarly, some teachers may accept a lower salary from a certain district because it has low student-teacher ratios or

because it is located in a community that offers attractive perks, such as cultural amenities, low levels of pollution, or a good public transportation system.

### **Independent Town**

Independent town is used to describe the largest school district in a county with a population of 25,000 to 100,000, and *any other district* in that county with an **average daily attendance** of at least seventy-five percent of the largest district's average daily attendance.

### **Interest & Sinking Tax Rate (I&S)**

The Interest and Sinking Tax Rate is also known as the debt service tax rate. The Interest and Sinking Tax Rate consists of the taxes that school districts levy to fund bonded indebtedness, as well as construction and renovation of facilities.

### **Maintenance & Operations Tax Rate (M&O)**

The Maintenance and Operations Tax Rate consists of taxes that school districts levy to fund the costs of administration and operations.

### **Mid-Sized District Adjustment**

*See Small District Adjustment.*

### **Price Component of the Cost-of-Education Index**

The Price Component of the Cost-of-Education Index is a mechanism that adjusts for regional variations in resource costs and for other costs of education. It is designed to adjust for geographic variations in payroll costs that are beyond the control of the school districts. (*See also Scale Component of the Cost-of-Education Index.*)

### **Price Differential Index (PDI)**

The Price Differential Index was the first index that Texas implemented to increase foundation program support to school districts to compensate for variations in the costs of education that were beyond the control of school districts. Adopted in 1984 as part of House Bill 72, the Price Differential Index was based on two factors: (1) a measure of the average salary enrichment of teachers, designed to reflect the labor market for teachers in a limited geographic area; and (2) the percentage of students qualifying for compensatory education funding (*see Compensatory Education Allotment*).

### **Professional Industries Index**

The Professional Industries Index is a wage index that is designed to capture variations in the wage preferences of employees in industries where professional workers make up at least 40 percent of the employees.

### **Professional Occupations Index**

The Professional Occupations Index is a wage index that is designed to capture the wage preferences of professional, paraprofessional, and technical employees. In Texas, this index only reflects values for urban counties.

## **Rural District**

For the purposes of the existing CEI and its replication, a rural district is defined as either a district that has between 300 and 743 students in **average daily attendance** and a population growth rate of less than twenty percent per year, *or* a district that has fewer than 300 students in average daily attendance. For all other purposes, a rural district is a district that is located in a county that is not part of a statistical metropolitan area..

## **Scale Component of the Cost-of-Education Index**

The Scale Component of the Cost-of-Education Index is a mechanism that adjusts for higher costs associated with providing educational services in districts of a relatively small scale. In the existing CEI, it is applied to districts with student populations between 1,600 and 2,000 in **average daily attendance**. (*See also Price Component of the Cost-of-Education Index.*)

## **Small District Adjustment and Mid-Sized District Adjustment**

The Small District Adjustment and Mid-Sized District Adjustment are adjustments made to compensate for the higher costs of operating small school districts. *Small* districts are classified as those with fewer than 1,600 students in **average daily attendance**. *Mid-sized* districts are those with 1,600 to 5,000 students in average daily attendance. Small districts encompassing more than 300 square miles receive a slightly higher adjustment.

## **Special Education Adjustment**

The Special Education Adjustment consists of additional financial support that is provided through the **Foundation School Program** to school districts for each student in **average daily attendance** in a special education program. The level of increased funding support depends on the services that the student receives.

## **Tax Effort**

Tax effort is defined as a district's effective tax rate, which is calculated by taking the district's tax collections for a given year and dividing that total by the Comptroller's certified taxable property values.

## **Taxable Value of Property**

Taxable Value of Property is defined as an adjusted value of property in a school district that is used to determine the local fund assignments for **Tier 1 of the Foundation School Program**, as well as guaranteed yield funding. (*See also Guaranteed Yield Program.*)

## **Teacher Salary Index**

A Teacher Salary Index is the ratio of the salary each district is predicted to pay the average Texas teacher divided by the minimum salary scale for the average teacher in Texas. Index values below one are assigned a value of one.

## **Teacher Salary and Benefits Index**

A Teacher Salary and Benefits Index is the ratio of the salary and benefits that each district is predicted to pay the average Texas teacher divided by the minimum salary scale for the average teacher in Texas. Index values below one are assigned a value of one.

## **Tier 1 of the Foundation School Program**

Tier 1 of the Foundation School Program is a school finance equalization program that provides funding (for a basic education program) to school districts through the **Basic Allotment** and district- and school-level adjustments. The amount of money that a district receives from the state through Tier 1 funding is a function of local property wealth per student. Tier 1 is financed through a combination of state aid and local school district property taxes, tax rates, student enrollments, and district characteristics. The lower the district property value per student, the greater the amount of state aid the district will receive through Tier 1. The combination of state and local funds provides access to the same level of resources at the same tax rate. Tier 1 includes funding for a basic education program, as well as for special education, vocational, bilingual, gifted and talented, and compensatory programs; it also includes funding for transportation.

## **Tier 2 of the Foundation School Program**

Tier 2 of the Foundation School Program is also known as the **Guaranteed Yield Program**. Tier 2 provides a level of funding that provides substantially equal access to resources at substantially equal tax rates. The state provides additional funding to school districts with low property values to equalize the amount of revenue per **Weighted Student in Average Daily Attendance** available at a given tax rate. Each district is guaranteed a specific amount per weighted student in state and local funds for each cent of **tax effort** levied by the school district. These funds may be used for maintenance and operations, capital outlay, and debt service.

## **Transportation Allotment**

The Transportation Allotment consists of transportation funds that are distributed to each district based on the number of students in that district who are riding buses daily, per mile of approved bus routes.

## **Weighted Students in Average Daily Attendance (WADA)**

Weighted Students in Average Daily Attendance is an adjusted student count that is designed to compensate for certain student and district characteristics defined by statute. Weighted means given additional value in the index. Weights are applied to the average daily attendance for students with special education needs. There are also weights for career and technology education, bilingual education, gifted and talented education, and compensatory education.