
Modernizing Attendance-Based Funding

Preserving Texas's ADA-based funding system while easing the fiscal impact of routine student absences

Background

Texas funds school districts primarily based on Average Daily Attendance (ADA). While attendance remains an important measure, district costs are largely driven by enrollment. Teachers, buses, facilities, utilities, safety, and instructional programs must be maintained regardless of whether a student misses a day of school.

As attendance rates have declined statewide, districts have experienced growing funding losses even though their fixed costs remain unchanged. The statewide attendance rate in Texas during 2024-25 was approximately 93.9% (TEA, preliminary FY 2025 data).¹ TEA calculates the attendance rate as Total Days Present ÷ Total Days in Membership, for students in grades 1–12.²

Examples of funded absences

Not all absences affect funding the same way. In TEA's words, "For official attendance accounting purposes, excused and unexcused absences do not exist." Under TEA's attendance accounting rules, a student who is absent for certain purposes recognized in statute is counted as present for funding purposes.³

These funded absences include:

- religious holy days,
- required court appearances,
- appointments related to U.S. citizenship and naturalization ceremonies,
- service as a student election clerk or student early voting clerk,
- court-ordered activities for students in foster care,
- health care or mental health appointments when the student attends school the same day,
- serious or life-threatening illnesses certified by a physician,
- college visits,
- absences related to a parent's military deployment,
- career investigation days,
- playing "Taps" at a military honors funeral,
- pursuing military enlistment,
- visiting a driver's license office,
- health care appointments for the student's child when the student attends school the same day,
- appointments with a health care practitioner for students diagnosed with autism spectrum disorder,
- participation in work-based learning, such as internships, externships, apprenticeships, and mentorships,
- district-approved mentorships through the Distinguished Achievement Program,
- being on campus with a nurse, counselor, principal, or other campus official when attendance is taken,
- released time religious courses, and
- qualifying school-sponsored activities, such as UIL and academic competitions.

Examples of unfunded absences

All other absences not listed under "Funded absences" reduce a district's ADA, even when the district excuses them. Several examples are provided below.

Examples of unfunded absences that are commonly excused under local policy

- Full day routine illness

¹ [2024-25 Texas Performance Reporting System \(TPRS\)](#), Texas Education Agency.

² [Attendance and Graduation Glossary](#), Texas Education Agency.

³ [Texas Education Code §25.087; 2025–2026 Student Attendance Accounting Handbook](#), Texas Education Agency, Section 3.6.3, Requirements for a Student to Be Considered Present for FSP (Funding) Purposes, and Section 3.6.4, Excused Absences for Compulsory Attendance Purposes (pp. 58–65).

- Exclusion for a contagious condition
- Caring for a sick family member or sibling
- Family emergency
- Bereavement
- Attending an appointment without returning to school that day
- Religious observances that aren't holy days
- Legal matters that are not required court appearances
- Weather or transportation problems affecting an individual student.

Examples of unfunded absences that are sometimes excused, often with prior approval:

- Family travel or vacation
- Family events, such as weddings or a sibling's graduation
- Competitions that are not school-sponsored, such as club sports, select teams, and private tournaments
- Mental health days taken without a health care appointment
- Moving or relocation days.

Examples of unfunded absences that are imposed by the district:

- Out-of-school suspension
- Expulsion pending placement in an alternative education program.

Examples of unfunded absences that are typically unexcused:

- Truancy or skipping school
- Oversleeping or missing the bus
- Absences without parent documentation
- Working or babysitting during school hours.

A student who misses the official attendance time is counted absent for the entire day, even if the student attends the rest of the day, unless an exception applies, such as a health care appointment with a same-day return.

An absence excused by the district protects the student from truancy action, but it does not generate funding. A district-excused absence is not always a funded absence.

Funding revenue loss

Because ADA drives much of the funding formula, each absence costs a district more than the daily share of the per student \$6,215 basic allotment. ADA determines the Regular Program Allotment, and other allotments, including special education, career and technology, and bilingual education, are calculated on attendance-based counts. Tier Two enrichment funding is calculated on weighted ADA (WADA).⁴ The cost estimates in this document apply these formula weights, so they reflect the additional allotments as well as the basic allotment.

The Legislature has already recognized that some district costs are driven by enrollment rather than attendance. House Bill 2 (89th Legislature) created the Allotment for Basic Costs, which provides \$106 per enrolled student, approximately \$576 million statewide in 2025-26.⁵ The concepts in this document build on that approach while keeping ADA as the foundation of the system.

⁴ [2025-2026 Statewide Summary of Finances, Tier One and Tier Two Detail Reports](#), Texas Education Agency, Foundation School Program, pp. 8–10.

⁵ [2025-2026 Statewide Summary of Finances, Tier One Detail Report](#), Texas Education Agency, Foundation School Program, p. 9, line 17: Allotment for Basic Costs (TEC §48.161), $\$106 \times 5,430,866$ enrolled students = \$575,671,796.

Funding Options

The following concepts would preserve the state's current attendance-based funding system while reducing the financial impact of routine student absences.

Option A: ADA Multiplier

Concept: Continue funding districts based on ADA, but apply a small multiplier to funded attendance to recognize that school district costs still exist.

Example: Funded ADA = Actual ADA × 1.01 — a district with 10,000 ADA would be funded as if it had 10,100 ADA.

Advantages:

- Simple to administer.
- Preserves the existing ADA system.
- Benefits all districts.
- Predictable statewide cost.

Cost Formula: Basic allotment portion = Statewide ADA × Multiplier × \$6,215 Basic Allotment⁶ (2025-26 statewide refined ADA = 4,966,805⁷; basic allotment only at 1.0%: 4,966,805 × 1.0% × \$6,215 ≈ \$309 million). To estimate the statewide cost, we increased the cost of each attendance based allotment in Tier One by 1% and then estimated the impact on weighted average daily attendance and thus state aid in Tier Two⁸. At 1.0%, the estimated cost is approximately \$480 million, about 1.555 times the basic allotment portion (\$309 million); the same 1.555 factor is used in Options B and C.

Estimated Annual State Cost — Option A	
Multiplier	Estimated Cost
1.0%	\$480 million
1.5%	\$720 million
2.0%	\$960 million

Policy Rationale: Districts continue to be funded based on attendance, but the state recognizes that fixed costs do not decline when students miss school.

Considerations: The multiplier applies equally to districts with high and low attendance, so it is not targeted to the districts with the largest attendance losses.

⁶ [House Bill 2, 89th Texas Legislature, Regular Session \(2025\)](#), raised the basic allotment from \$6,160 to \$6,215 beginning in 2025-26; Texas Legislature Online.

⁷ [2025-2026 Statewide Summary of Finances, Near Final \(Run ID 47242, updated Sept. 16, 2026\)](#), Texas Education Agency, Foundation School Program, p. 1, line 1: Refined Average Daily Attendance (ADA) = 4,966,804.638.

⁸ [2025-2026 Statewide Summary of Finances](#), Texas Education Agency, Foundation School Program, Near Final, pp. 1, 8–10. Tier One: Regular Program (\$26.66 billion), Special Education (\$6.86 billion), Career and Technology (\$3.75 billion), Small and Mid-Size (\$1.42 billion), Early Education (\$0.85 billion), Bilingual (\$0.77 billion), Support Staff Retention (\$0.20 billion), and School Safety per-ADA portion (\$0.10 billion), totaling \$40.62 billion. Tier Two: [2025-2026 Statewide Tier Two Detail Report](#), Texas Education Agency, Near Final (Run ID 47299, updated Sept. 30, 2026): WADA = 7,583,327; Level 1 entitlement (\$6.82 billion) at a \$129.52 guaranteed yield and Level 2 entitlement (\$1.35 billion) at a \$49.72 guaranteed yield. Allotments based on enrollment, student counts, teacher counts, or fixed amounts are excluded.

Option B: Attendance Stabilization Factor

Concept: Continue funding districts based on ADA, but partially reimburse attendance losses.

Example: Membership = 10,000; Attendance = 94%; ADA = 9,400; Attendance loss = 600 students.

If the state reimburses 20% of attendance loss: Funded ADA = 9,400 + (600 × 20%) = 9,520.

The district still loses funding when attendance declines but does not absorb the entire financial penalty.

Advantages:

- Preserves attendance incentives.
- Maintains ADA as the foundation of the system.
- Recognizes district fixed costs.
- Avoids a direct shift to enrollment-based funding.

Cost Formula: Estimated Cost = Statewide Attendance Loss × Reimbursement Rate × \$6,215 Basic Allotment (statewide attendance loss ≈ 322,700 students, calculated as 2025-26 refined ADA ÷ the 2024-25 attendance rate, minus ADA: 4,966,805 ÷ 0.939 – 4,966,805; basic allotment only at 20%: 322,700 × 20% × \$6,215 ≈ \$401 million). Applying the same 1.555 weighting factor as Option A: at 20%: \$401 million × 1.555 ≈ \$624 million.

Estimated Annual State Cost — Option B	
Reimbursement Rate	Estimated Cost
20%	\$624 million
25%	\$780 million
33%	\$1.03 billion

Policy Rationale: Districts should continue to be incentivized to improve attendance, but the state should share a portion of the financial risk associated with routine absenteeism.

Considerations: Policymakers may be concerned that reimbursing attendance loss weakens the incentive to improve attendance. Keeping the reimbursement rate well below 100% preserves that incentive.

Option C: Funding Additional Excused Absences

Concept: Absences that a district excuses under local policy, but that do not currently generate funding, would generate funding.

Examples could include: documented student illness, medical appointments when the student does not return to school the same day, family emergencies, and bereavement.

Advantages:

- Maintains an attendance-based funding system.
- Aligns funding with absences districts already excuse and document.
- Easy to explain to policymakers and parents.

Cost Formula: Estimated Cost = Statewide Attendance Loss × Assumed Share of Unfunded Absences Eligible × \$6,215 Basic Allotment (using the same 322,700-student attendance-loss base as Option B; basic allotment only at 50%: $322,700 \times 50\% \times \$6,215 \approx \$1,003$ million). Applying the same 1.555 weighting factor: at 50%: $\$1,003 \text{ million} \times 1.555 \approx \$1.56 \text{ billion}$.

Estimated Annual State Cost — Option C	
Assumed Share of Unfunded Absences Eligible	Estimated Cost
25%	\$780 million
50%	\$1.56 billion
75%	\$2.34 billion

Policy Rationale: Districts should not lose funding when students miss school for legitimate, documented reasons that the district has excused.

Considerations: Eligible absences would need a consistent statewide definition and documentation standard, and TEA would need to audit them. Policymakers may also be concerned that funding locally excused absences creates an incentive to excuse more absences; a statewide definition of eligible absences could address this concern.

Impact on Recapture Districts

All three options would increase the funded ADA used to calculate each district's entitlement. For most districts, the increase would be paid as additional state aid. For districts subject to recapture under Chapter 49, a higher entitlement would reduce the amount of recapture the district owes, allowing more locally raised revenue to remain in the district. Because recapture payments are a method of finance for the state⁹, the reduction in recapture is part of the state cost shown in the estimates above, not a cost in addition to it.

Fiscal estimates are preliminary and based on TEA's 2025-26 near-final refined ADA (4,966,805) and 2024-25 attendance data (attendance rate = 93.9%) and the \$6,215 basic allotment in effect for the 2025-26 school year, and TEA's 2025-26 near-final Tier Two detail report. The attendance rate for 2025-26 is not yet available, so this analysis uses the 2024-25 attendance rate. Because this analysis is forward-looking, it uses the funding formula levels from the 89th Legislature to project potential cost. Actual fiscal notes would depend on legislative language and TEA implementation.

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About Texas School Coalition

The Texas School Coalition is a membership organization that was founded in 1997 to represent property-wealthy independent school districts whose local tax collections are subject to recapture. The mission of the Texas School Coalition is to advocate for the resources to provide all Texas public school students an excellent education and for a school finance system that balances sustainable state and local investments in the best interests of students and taxpayers.

⁹ [Report on Public Education State Funding Transparency \(December 2025\)](#), Texas Education Agency, p. 4.