

**Summary of the Foundation School Program:
2012–13 Biennial Base and 2014-15 House
Bill I Recommendation**

**House Committee on Appropriations
February 4, 2013**

Presented by the Legislative Budget Board

Foundation School Program Overview

The FSP is the system of statutory funding formulas that provide the primary means of distributing state aid to Texas public schools.

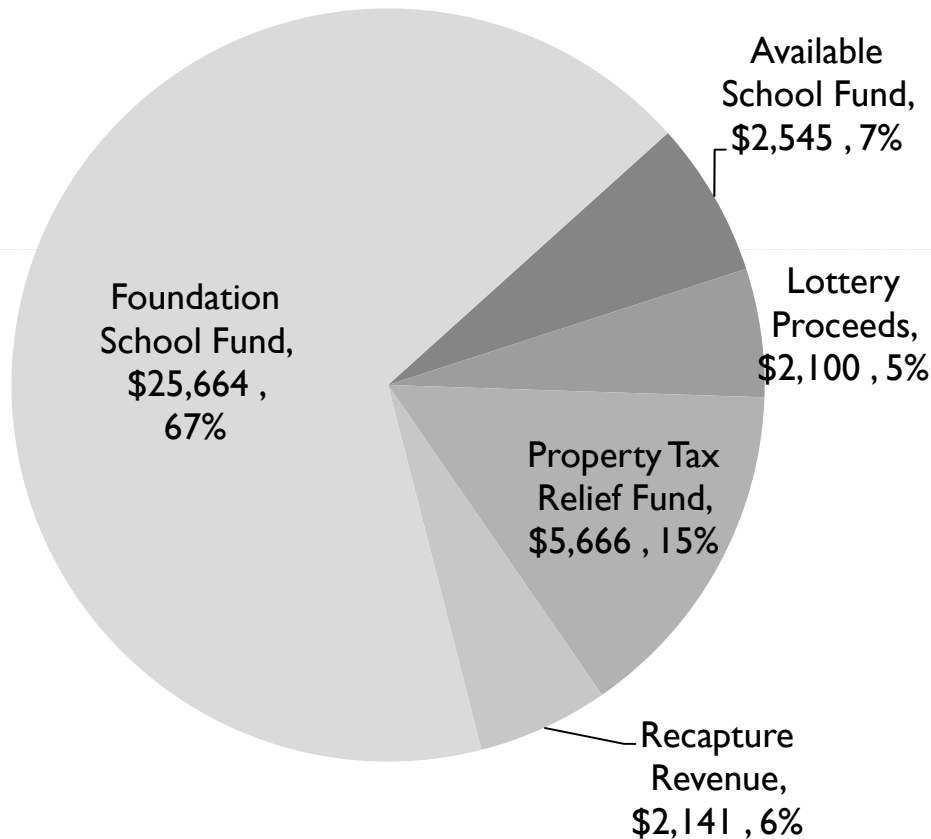
The FSP is funded jointly through a combination of local property tax revenue and state funds that make up a total revenue entitlement for school districts and charter schools.

The FSP is the largest single General Revenue appropriation in the state budget, comprising over one-third of the total General Revenue budget and about 20 percent of the All Funds budget. It comprises 95 percent of TEA's General Revenue Budget and 76 percent of TEA's All Funds budget.

LBB Publications: FSP Resources

- **Issue Briefs:** Two page summaries on various FSP-related topics (including an overview of the formula structure and methods of finance)
- **Foundation School Program and Charter Schools Primer**
- **Foundation School Program Fiscal Studies:** Analysis on selected topics related to FSP funding elements including analysis of the impact of the development of shale plays across the state on school district property values.

FSP State Methods of Finance, 2014-15 Biennial Recommendation* (in millions)



All Funds: \$38,116.5 million

General Revenue Funds Dedicated for Public Education
Available School Fund (ASF)- (Permanent School Fund distribution, 25 percent motor fuels tax, GLO discretionary transfer)
Lottery Proceeds
Other Funds Dedicated for Public Education
Property Tax Relief Fund (PTRF)- (portion of franchise tax, tobacco taxes, liar's affidavit)
Recapture Revenue- (payments from property wealthy school districts)
All Funds FSP Appropriation
Foundation School Fund (GR, Fund 193)- State costs not covered by other MOFs are funded from General Revenue

*Amounts exclude TEA programs funded from funds set-aside from the FSP.

Key FSP Formula Funding Elements

FSP Funding Elements		HB I Assumption
Tier 1 Funding Elements		
Basic Allotment	<ul style="list-style-type: none"> • Primary formula element in Tier 1 • Statute sets the Basic Allotment at \$4,765 or higher by appropriation 	\$4,765
Equalized Wealth Level	<ul style="list-style-type: none"> • Property wealth per WADA above which school districts are subject to recapture in Tier 1 • Tied in statute to Basic Allotment 	\$476,500 per WADA
Regular Program Adjustment Factor	<ul style="list-style-type: none"> • Established by Senate Bill 1, 82nd First Called Session to achieve entitlement reduction • Set in the GAA in 2014-15 and expires in statute after FY2015 	0.98 (FY2013 level)
Hold Harmless Reduction Percentage	<ul style="list-style-type: none"> • Established by Senate Bill 1, 82nd First Called Session to achieve entitlement reduction • Set in the GAA beginning in FY2013 • Target Revenue HH expires in FY2018 • Intent language in SB 1, 82-1 contemplates continued HH reduction until expiration 	0.9235 (FY2013 level)
Tier 2 Funding Elements		
Austin ISD Yield	Yield associated with first 6 enrichment pennies levied above compressed tax rate (aka Golden Pennies)	\$59.97 per penny per WADA

Major FSP Budget Drivers

District Property Values (DPV)

Under current law, DPV growth reduces the level of state aid needed to fund FSP entitlement.

Tax Year	CPA Projection	Budget Years Affected	82 nd Assumptions
Tax Year 2011	+ 1.16% (actual)	Fiscal Years 2012 & 2013	- 0.97%
Tax Year 2012	+ 2.92%	Fiscal Years 2013 & 2014	+ 0.52%
Tax Year 2013	+ 2.22%	Fiscal Years 2014 & 2015	
Tax Year 2014	+ 1.85%	Fiscal Years 2015 & 2016	

District Tax Effort

Assumption: On a statewide level, about 40 school districts will successfully pass Tax Ratification Elections (TREs) each year for a biennial state cost of \$90 million.

Currently, 248 school districts (24 percent) have adopted the statutory maximum tax rate of \$1.17. About 60 percent of taxing districts (609) have adopted M&O tax rates of \$1.04.

Major FSP Budget Drivers, cont'd

Student Growth

TEA projects an overall growth rate of 1.81% annually.

Fiscal Year	Number of Students	Rate of Growth
FY2012	76,644 ADA	1.68% (actual)
FY2013	83,975 ADA	1.81% (projected)
FY2014	85,497 ADA	1.81%
FY2015	87,046 ADA	1.81%

Reflects strong growth projected in compensatory education, bilingual education, and career and technical education populations.

Reflects a decline in the population of students served in special education instructional settings and relatively flat mainstream ADA.

2012–13 FSP GR Appropriations vs. 2012–13 FSP Base

2012–13 FSP GR Appropriations (in millions)	\$29,172
Appropriations Shortfall	\$620
DPV Change, Student Enrollment, Prior Year Adjustments	\$80
<u>FY11 Settle Up in FY12</u>	(\$70)
2012–13 Cost Adjustments	\$630
Reversal of August Payment Deferral	\$1,750
Method of Finance Shifts (reducing draw on GR)	
PTRF Above Estimate	(\$959)
Recapture Above Estimate	(\$313)
Total, 2012–13 GR Base Adjustments	\$1,108
2012–13 FSP GR Base (Adjusted)	\$30,280

2012–13 FSP GR Base vs. 2014-15 Recommendation

The recommendation for the 2014-15 biennium fully funds the state's statutory obligation in the FSP based on the assumptions laid out previously.

2012–13 FSP GR Base (in millions)	\$30,280
Enrollment Growth	\$2,200
DPV Change	(\$1,500)
Settle Up	(\$745)
Enrichment, Facilities, and Prior Year Adjustments	\$330
14-15 PTRF and Recapture Over Base	(\$255)
2014-15 FSP GR Costs	\$30,309
2014-15 GR Cost Over 2012–13 GR Base	\$30



Questions?

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