



LEGISLATIVE BUDGET BOARD

Summary of Public Education Funding

2016-17 Biennial Base and 2018-19 House Bill 1 Recommendations for the Texas Education Agency

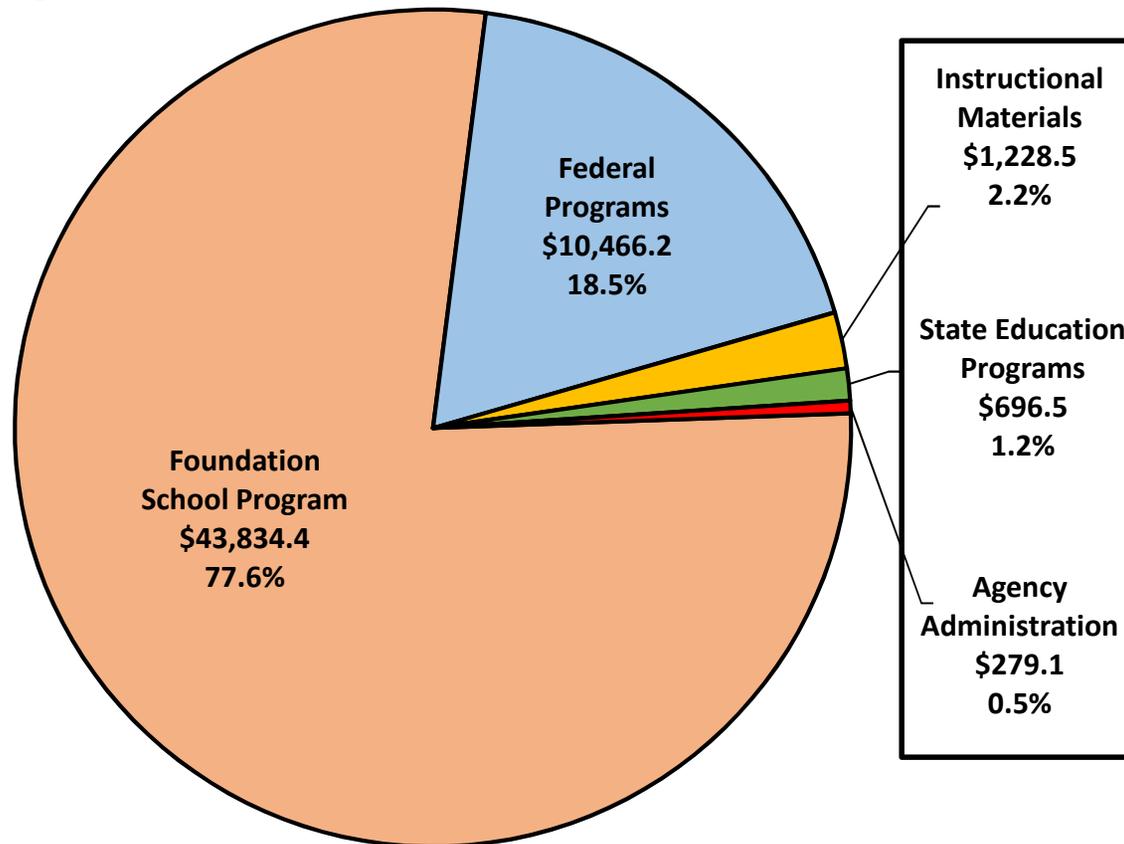
PRESENTED TO HOUSE COMMITTEE ON APPROPRIATIONS

LEGISLATIVE BUDGET BOARD STAFF

February 2017

2018-19 TEA House Bill 1 Recommendations by Program Area

2018-19 Texas Education Agency House Bill 1 Recommendations by Program Area, (In Millions, All Funds)

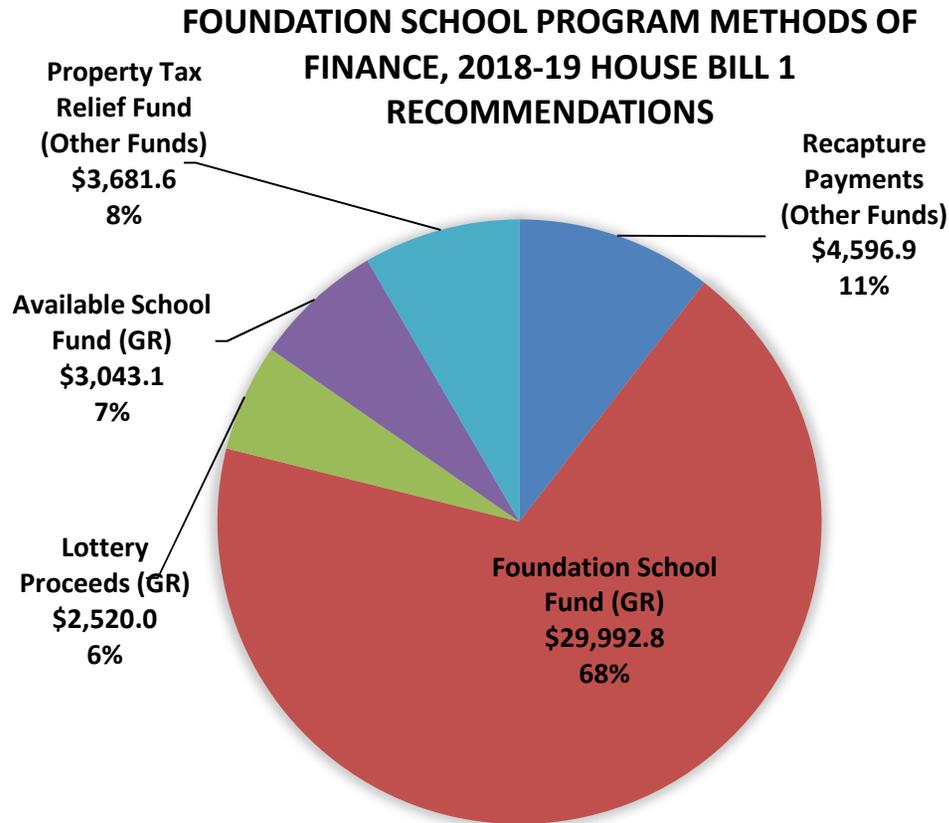


- Foundation School Program (FSP) funding represents an increase of \$1.5 billion, or 3.5 percent, in All Funds compared to the 2016-17 biennium.
- Recommendations for Instructional Materials, the largest single state-funded public education program outside the FSP, increase funding by \$64.6 million from the 2016-17 biennium based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF).
- HB 1 recommendations for State Education Programs include a \$41.4 million decrease in funding to numerous programs.
- Recommendations for Agency Administration include \$139.4 million in General Revenue Funds, \$78.6 million in Federal Funds, and \$61.1 million in Other Funds.

Foundation School Program (FSP) 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 approximately 31 percent of the total General Revenue budget and about 20 percent of the All Funds budget. It comprises 94 percent of TEA's General Revenue Budget and 78 percent of TEA's All Funds budget.

FSP State Methods of Finance, 2018-19 Biennial Recommendations (in millions)



All Funds: \$43,834.4 million

NOTE: Amounts exclude TEA programs funded from FSP set-asides.

General Revenue Funds Dedicated for the Foundation School Program

Available School Fund (ASF)- Permanent School Fund distribution, 25 percent of the motor fuels tax, General Land Office discretionary transfer

Lottery Proceeds – Lottery proceeds net the cost of administering, and a portion dedicated for veterans and a teaching hospital

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

Foundation School Fund (GR, Fund 193)

State costs not covered by other MOFs are provided by the Foundation School Fund, which is funded from one-fourth of occupation taxes and unrestricted General Revenue

Key FSP Formula Funding Elements

FSP FUNDING ELEMENTS		HOUSE BILL 1 AMOUNTS
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 	\$5,140
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 	\$514,000 per Weighted Average Daily Attendance (WADA)
Tier 2 Funding Elements		
Austin ISD Yield	Yield associated with first 6 enrichment pennies levied above compressed tax rate (Golden Pennies)	\$99.85 per penny per WADA in 2018 and \$106.37 per penny per WADA in 2019

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	2016-17 General Appropriations Act Assumptions
Tax Year 2015	+4.32% (actual)	Fiscal Years 2016 & 2017	+4.56
Tax Year 2016	+6.60%	Fiscal Years 2017 & 2018	+6.18
Tax Year 2017	+5.85%	Fiscal Years 2018 & 2019	
Tax Year 2018	+4.89%	Fiscal Years 2019 & 2020	

District Tax Effort

Assumption: On a statewide level, about 40 school districts will successfully pass Tax Ratification Elections (TREs) in each fiscal year of the 2018-19 biennium for a biennial state cost of \$120 million.

Currently, 370 school districts (36 percent) have adopted the statutory maximum tax rate of \$1.17. About 49 percent of taxing districts (500) have adopted M&O tax rates of \$1.04.

Major FSP Budget Drivers

Student Growth

TEA projects an overall growth rate of 1.64% annually in the 2018-19 biennium.

Fiscal Year	Number of Students	Rate of Growth
Fiscal Year 2016	69,175 ADA	1.43% (actual)
Fiscal Year 2017	75,824 ADA	1.54% (projected)
Fiscal Year 2018	81,796 ADA	1.64%
Fiscal Year 2019	83,110 ADA	1.64%

TEA projects growth in compensatory education (1.65%), bilingual education (3.86%), career & technical education (5.13%), FTEs served in special education settings (1.27%), and special education mainstream ADA (2.98%)

2016-17 FSP GR Appropriations Compared to 2016-17 FSP Base

2016-17 FSP GR Appropriations (in millions)	\$35,507
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New Costs/(Savings)	
Updated Drivers. Primarily due to student enrollment in ISDs being lower than projected.	(\$590)
Settle-Up, Prior Year and Other Adjustments. FY2015 and FY2016 underpayments led to larger than projected costs in FY 2016 and FY 2017. TEA also made prior year and other adjustments.	\$640
2016-17 Cost Adjustments	\$50
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Method of Finance Shifts (affecting draw on GR)	
Property Tax Relief Fund. 2016-17 revenue higher than appropriated, decreasing GR draw	(\$380)
Recapture. Revenue lower than appropriated, increasing GR draw	\$380
2016-17 MOF Shifts	\$0
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Total, 2016-17 GR Base Adjustments	\$50
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2016-17 FSP GR Base (Adjusted)	\$35,556

*Totals may not sum due to rounding

2016-17 FSP GR Base Compared to House Bill 1

House Bill 1 fully funds the state's statutory FSP obligation, including anticipated enrollment growth, based on the assumptions laid out previously. In addition, House Bill 1 adds an additional \$1.5 billion in General Revenue Funds above what is estimated to be required to fund the 2018-19 current law entitlement contingent upon school finance legislation that improves equity, reduces recapture, and increases the state's share of the FSP.

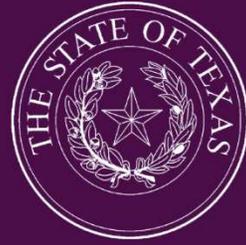
2016-17 FSP GR Base (in millions)	\$35,556
New Costs/(Savings)	
Enrollment Growth	\$2,650
DPV Change	(\$3,560)
Increase in Austin ISD Yield Growth	\$1,050
Savings Due to Expiration of ASATR at the end of Fiscal Year 2017	(\$600)
Settle Up	\$250
Enrichment Tax Effort and Prior Year and Other Adjustments	\$220
Property Tax Relief Fund increase over base	(\$350)
Recapture increase over base	(\$1,130)
Total 2018-19 Current Law Costs Over 2016-17 Base	(\$1,470)
House Bill 1 FSP appropriations in addition to funding needed for anticipated enrollment growth and all other statutory obligations	\$1,470
2018-19 GR Cost Over 2016-17 GR Base	\$0

*Totals may not sum due to rounding

Non-FSP Programs and Administrative Funding

- House Bill 1 recommendations provide \$2,118.0 million in General Revenue appropriations for Non-FSP programs and administrative funding for the 2018-19 biennium, a \$23.6 million increase compared to the 2016-17 biennium. The increase is due primarily to a \$64.6 million increase in funding for instructional materials and technology, offset by \$41.4 million in decreases to numerous programs.
- Instructional materials and technology funding is \$1,233.3 million in General Revenue Funds and is based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF). Out of instructional materials funding, \$10.0 million is provided for the development of open-source instructional materials, \$4.5 million for agency administration, and \$2.5 million for online college readiness materials.

Instructional Materials Funding (in millions)				
2016-17 Biennium to 2018-19 Recommendations				
Program	2016-17 Base	2018-19 House Bill 1	Biennial Change (from 16-17)	Percent Change (from 16-17)
Instructional Materials	\$1,153.9	\$1,218.5	\$64.6	6%
Open Source Instructional Materials	\$10.0	\$10.0	\$0.0	0%
Agency Administration	\$4.6	\$4.5	\$0.1	1%
Total	\$1,168.4	\$1,233.0	\$64.6	6%



LEGISLATIVE BUDGET BOARD

Contact the LBB

Legislative Budget Board

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512.463.1200