



## LEGISLATIVE BUDGET BOARD

# Summary of Foundation School Program:

**2020-21 Biennial Base and  
2022-23 Recommendations**

**PRESENTED TO HOUSE COMMITTEE ON APPROPRIATIONS  
LEGISLATIVE BUDGET BOARD STAFF**

**FEBRUARY 2021**

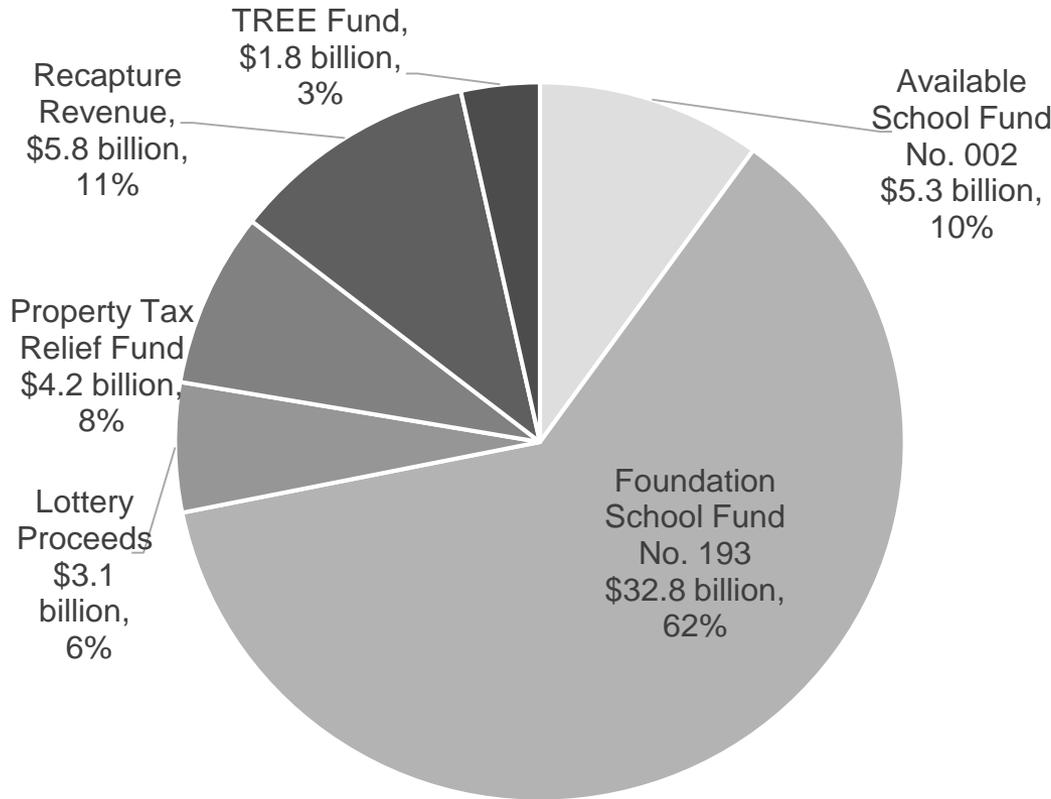
# Foundation School Program (FSP) Purpose and Structure

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The Foundation School Program (FSP) is the principal vehicle for distributing state aid to school districts.

The FSP is a shared funding model, depending on contributions from state and local revenue sources to fund the level of entitlement in the school finance system.

# 2022-23 FSP Methods of Finance (MOFs) in House Recommendations (in millions)



**All Funds: \$52.99 billion**

## General Revenue Funds Dedicated for Public Education

**Available School Fund (ASF)**- (Permanent School Fund distribution, 25 percent motor fuels tax, General Land Office and State Board of Education discretionary transfers)

**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)

**TREE Fund**- (portion of internet sales tax revenue)

## Foundation School Fund (GR, Fund 193)

State costs not covered by other MOFs are funded from the Foundation School Fund (General Revenue)

# 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	2020-21 General Appropriations Act
Tax Year 2019	+ 10.17	Fiscal Year 2020	+ 5.76%
Tax Year 2020	+ 6.15%	Fiscal Year 2021	+ 4.01%
Tax Year 2021	+ 0.29%	Fiscal Year 2022	
Tax Year 2022	+ 3.92%	Fiscal Year 2023	

## District Tax Effort

**Assumption:** On a statewide level, districts will successfully pass Tax Ratification Elections (TREs) each year for a 2022-23 biennial state cost of \$300 million.

# Major FSP Budget Drivers, cont'd

## Student Growth

TEA projects an overall average daily attendance (ADA) growth rate of 0.71% annually in the 2022-23 biennium.

Fiscal Year	Number of Students	Rate of Growth
FY2018	29,421 ADA	0.59%
FY2019	15,467 ADA	0.31%
FY2020	42,777 ADA	0.85%
FY2021	36,013 ADA	0.71% (projected)
FY2022	36,269 ADA	0.71% (projected)
FY2023	36,527 ADA	0.71% (projected)

TEA projects higher growth for certain populations, including compensatory education (2.89%), career & technical education (6.12%), FTEs served in special education settings (5.55%), and special education mainstream ADA (4.3%).

# 2020-21 FSP Appropriations Compared to 2020-21 FSP Base

	GR	All Funds
<b>2020-21 FSP GR Appropriations (in millions)</b>	<b>\$42,803.7</b>	<b>\$51,906.1</b>
<b>New Costs/(Savings)</b>		
<b>Updated Drivers.</b> Primarily stronger than projected property value growth	(\$1,570.5)	(\$1,570.5)
<b>Settle-Up, Prior Year, and Other Adjustments</b>	(\$287.2)	(\$287.2)
<b>CARES Act</b>	(\$1,145.9)	(\$1,145.9)
<b>2020-21 Cost Adjustments</b>	<b>(\$3,003.6)</b>	<b>(\$3,003.6)</b>
<b>Method of Finance Shifts</b>		
<b>Recapture.</b> Revenue higher than appropriated, decreasing GR draw	(1,281.0)	\$0
<b>Property Tax Relief Fund.</b> Revenue higher than appropriated, decreasing GR draw	(176.1)	\$0
<b>TREE Fund.</b> Revenue higher than appropriated, decreasing GR draw	(\$947.0)	\$0
<b>2020-21 MOF Shifts</b>	<b>(\$2,404.1)</b>	<b>\$0</b>
<b>Total, 2020-21 Base Adjustments</b>	<b>(\$5,407.7)</b>	<b>(\$3,003.6)</b>
<b>2020-21 FSP Base (Adjusted)</b>	<b>\$37,396.0</b>	<b>\$48,902.5</b>

# 2022-23 FSP Base Compared to Recommendations

New Costs/(Savings)	GR	All Funds
Enrollment Growth	\$3,130.0	\$3,130.0
DPV Growth	(\$950.0)	(\$950.0)
Tax Compression	\$992.4	\$992.4
CARES Act	\$1,145.9	\$1,145.9
Harvey. Elimination of one-time funding for Hurricane Harvey relief	(\$636.0)	(\$636.0)
Settle-Up	\$20.4	\$20.4
Enrichment Tax Effort and Prior Year and Other Adjustments	\$382.3	\$382.3
<b>Total 2022-23 Current Law Costs Over 2020-21 Base</b>	<b>\$4,085.0</b>	<b>\$4,085.0</b>

House recommendations fully fund the state's statutory obligation in the FSP, including \$3.1 billion for anticipated enrollment growth, and \$1.0 billion for tax compression required by HB 3, and replacing \$1.1 billion in federal CARES Act funding used to supplant FSP formula funding, based on the assumptions laid out previously.

Method of Finance Shifts		
Property Tax Relief Fund – Biennial increase in revenue, decreasing GR draw	(\$432.4)	\$0
Recapture – Biennial increase in revenue, decreasing GR draw	(\$180.4)	\$0
TREE Fund – Biennial increase in revenue, decreasing GR draw	(\$348.9)	\$0
Economic Stabilization Fund – Elimination of one-time funding from the ESF used to fund Harvey amount above	\$636.0	\$0
<b>2022-23 MOF Shifts</b>	<b>(\$325.7)</b>	<b>\$0</b>
<b>2022-23 GR Cost Over 2020-21 GR Base</b>	<b>\$3,759.4</b>	<b>\$4,085.0</b>



## LEGISLATIVE BUDGET BOARD

# Contact the LBB

Legislative Budget Board

[www.lbb.state.tx.us](http://www.lbb.state.tx.us)

512.463.1200