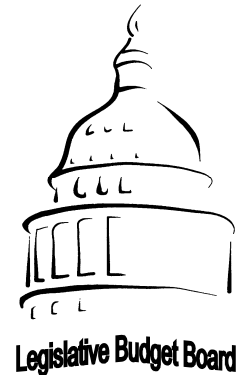


Methods of Finance for the Foundation School Program

Senate Finance Committee, Subcommittee on the
Foundation School Program

February 14, 2011

Methods of Finance for the FSP



- FSP receives a sum-certain, All Funds appropriation, but all methods of finance (MOF) are estimated
- MOFs with specific sources:

Lottery Proceeds

Available School Fund

Property Tax Relief Fund

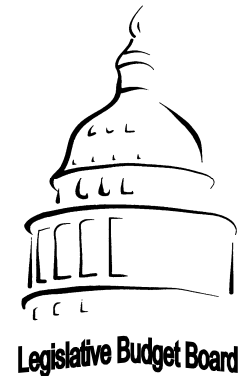
Appropriated Receipts (Recapture)

- 1 MOF draws directly from General Revenue Fund

Fund 193 (Foundation School Fund)

- If MOF revenue is lower/higher than estimate, Fund 193 will increase/decrease to meet sum-certain appropriation

Methods of Finance for the FSP, cont'd

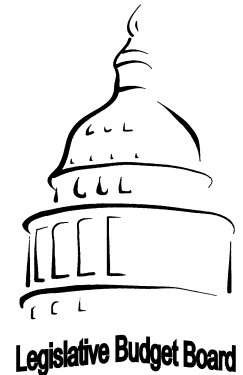


Available School Fund (GR)

- Total return distribution from Permanent School Fund (PSF) + $\frac{1}{4}$ motor fuels tax revenue
- **PSF Distribution:** State Board of Education sets a rate (not to exceed 6%) that is applied to the average value of PSF corpus over 16 preceding quarters

Biennium	Total Return Rate	Annual Distribution
2006-07	4.5%	\$842M
2008-09	3.5%	\$717M
2010-11	2.5%	\$577M
2012-13	4.2%	\$948M

Methods of Finance for the FSP, cont'd



- **¼ Motor Fuels Tax Revenue:** ~\$700-\$800 million annually

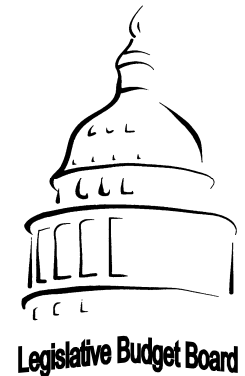
12-13 ASF Estimate: ~\$1.75 billion annually, \$3.5 billion for biennium

- “The available school fund shall be applied annually to the support of the public free schools...[and] distributed to the several counties according to their scholastic population and applied in the manner provided by law.” (Texas Constitution, Art. 7, Sec. 5)

ASF Used in 3 Ways

- Instructional materials
- Technology Allotment
- Per capita apportionment in the FSP

Methods of Finance for the FSP, cont'd



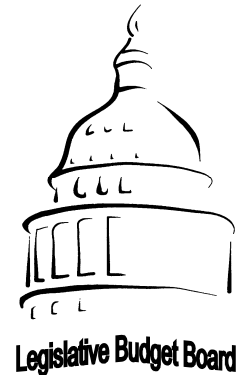
Property Tax Relief Fund (Other)

- Revised franchise tax revenue, liar's affidavit (used car sales tax), and higher tobacco taxes - revenue resulting from these changes

12-13 Estimate: \$2.2-\$2.3 billion annually, \$4.5 billion for biennium. Revenue initially projected to collect \$4+ billion annually

BRE Estimate	2012	2013
Franchise Tax	\$1425.1	\$1509.5
Liar's Affidavit	13.0	13.6
Tobacco Taxes	752.0	804.4
Interest	8.9	11.1
TOTAL	\$2,199.0	\$2,338.6

Methods of Finance for the FSP, cont'd



Lottery Proceeds (GR)

- All lottery proceeds, net of prize awards, administrative costs and a small portion for veterans' assistance

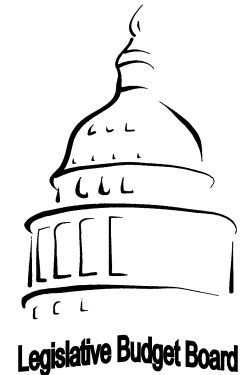
12-13 Estimate: ~\$1 billion annually, \$2 billion for biennium

Appropriated Receipts (Recapture)

- Local tax revenue paid to state from districts with property wealth per WADA above certain thresholds
 - \$476,500 for revenue related to compressed tax effort
 - \$319,500 for revenue related to beyond compressed tax effort + 6 pennies

12-13 Estimate: \$800-900 million annually, ~\$1.7 billion for biennium

Methods of Finance for the FSP, cont'd



Fund 193 (Foundation School Fund)

- Draws from General Revenue Fund
- Floats to fund the FSP sum-certain All Funds appropriation

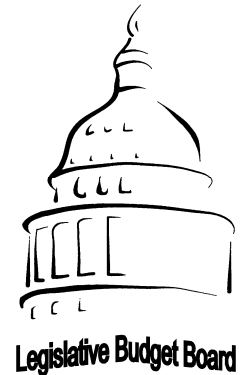
Other MOFs that have been used for FSP in recent history

- ARRA stimulus funds, Highway Fund, Economic Stabilization Fund

Other factors affecting appropriations level

- Local tax revenue, state underpayments/overpayments in prior year

Methods of Finance for the FSP, cont'd



- 2010-11 FSP All Funds Appropriations (includes an estimate of 2011 supplemental need)

MOF	2010	2011	10-11 Biennium
ASF	\$516	\$1,465	\$1,981
PTRF	\$2,024	\$2,171	\$4,195
Lottery	\$1,000	\$995	\$1,995
Appropriated Receipts	\$1,113	\$1,082	\$2,195
Fund 193	\$11,713	\$11,924	\$23,637
ARRA	\$1,625	\$1,625	\$3,250
TOTAL	\$17,991	\$19,262	\$37,253