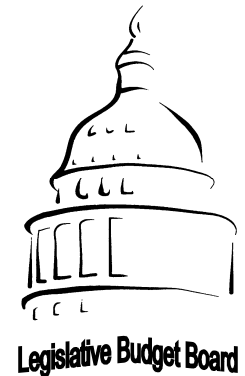


Methods of Finance for the Foundation School Program

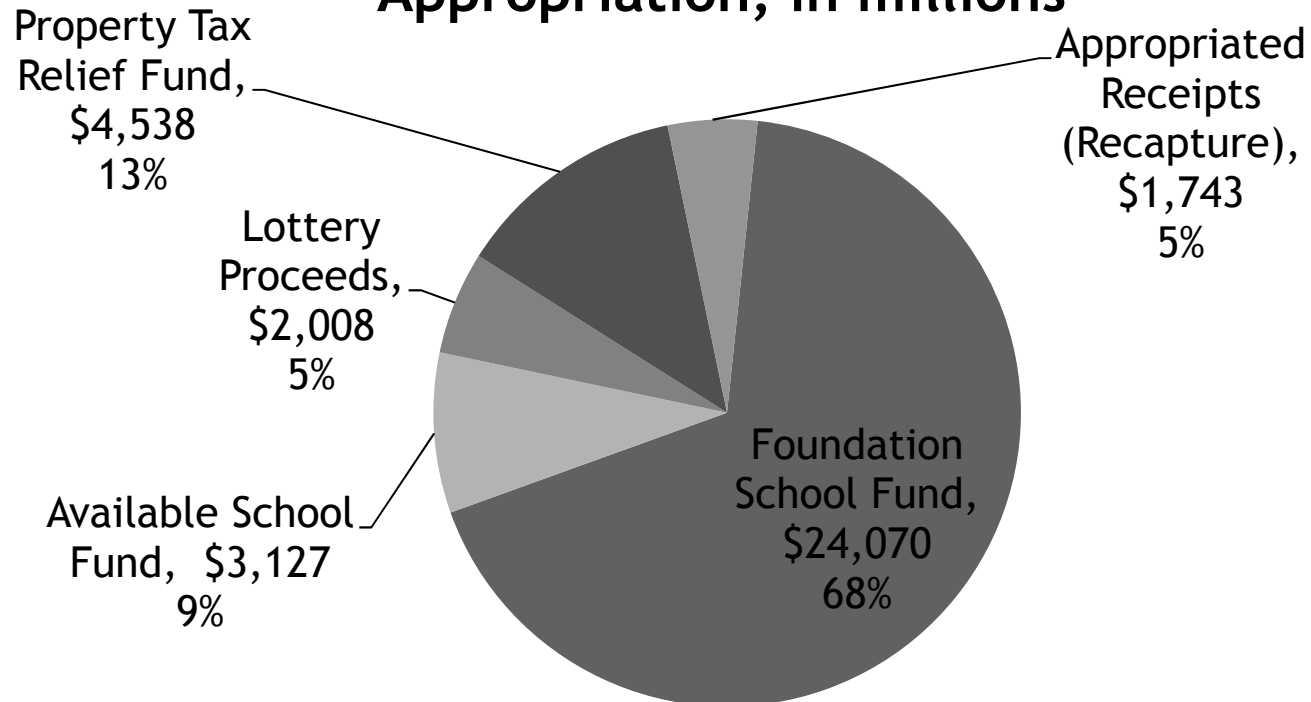
Joint Select Committee on the Public School Finance System

September 24, 2012

Methods of Finance for the FSP

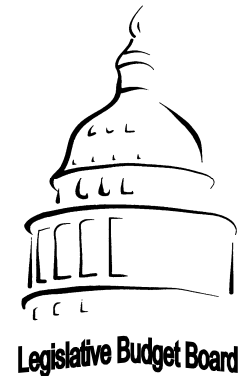


FSP Methods of Finance, 2012-13 Appropriation, in millions



All Funds= \$35,486 Million

Methods of Finance for the FSP, cont'd

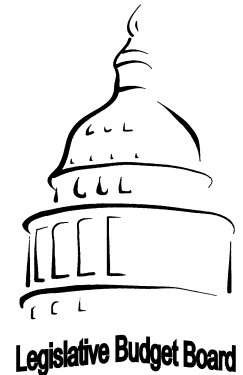


FSP Appropriation Structure and Function

FSP receives a sum-certain, All Funds appropriation, but all five methods of finance (MOF) are estimated.

- Four constitutionally or statutorily dedicated revenue streams:
 - Lottery Proceeds
 - Available School Fund
 - Property Tax Relief Fund
 - Appropriated Receipts (Recapture)
- One MOF draws directly from General Revenue Fund:
 - Fund 193 (Foundation School Fund)
- If any of the four dedicated revenue streams is lower/higher than estimate, Fund 193 will increase/decrease to meet sum-certain appropriation

Methods of Finance for the FSP, cont'd



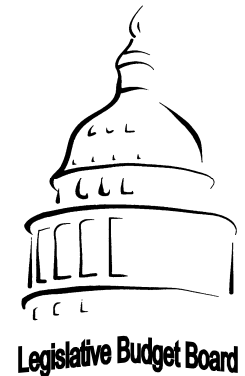
Available School Fund (GR), 2012-13 estimate, \$1.87B

Sources of revenue for the ASF:

- Total return distribution from Permanent School Fund (PSF) based on distribution rate set by the State Board of Education
- 25 percent of motor fuels tax revenue (\$700M to \$800M annually)
- Optional distribution from the General Land Office (GLO) from GLO and PSF holdings

PSF Distribution Rates and Amounts	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%	\$1,021M

Methods of Finance for the FSP, cont'd



Available School Fund (GR), cont'd

Constitutional Dedication of the ASF

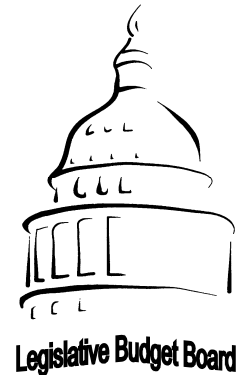
Texas Constitution, Art. 7, Sec. 5: *The available school fund shall be applied annually to the support of the public free schools...[and] distributed to the several counties according to their scholastic population and applied in the manner provided by law.*

ASF Used in Two Ways

- Instructional Materials Allotment
- Per capita apportionment in the FSP

Prior to enactment of Senate Bill 6, Eighty-second Legislature, the ASF also funded the Technology Allotment, which was repealed by that legislation.

Methods of Finance for the FSP, cont'd



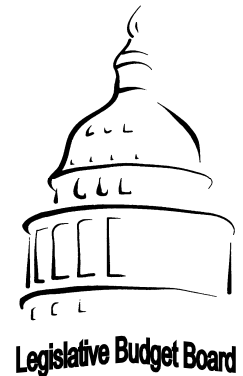
Property Tax Relief Fund (Other Funds): 2012-13 estimate, \$4.5B

Sources of Revenue for PTRF- *Revenues resulting from changes to the following, enacted by the 79th Legislature (HBs 3, 4, and 5):*

- Revised franchise tax revenue
- Liar's affidavit (used car sales tax), and
- Tobacco taxes

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): 2012-13 estimate, \$2.0B

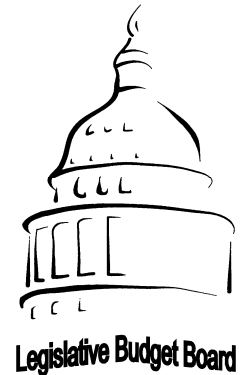
Includes all lottery proceeds, net of prize awards, administrative costs and a small portion for veterans' assistance.

Appropriated Receipts or Recapture (Other Funds): 2012-13 estimate, \$1.7B

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 tax effort above compressed tax rate + 6 pennies (enrichment above "golden pennies")

Methods of Finance for the FSP, cont'd



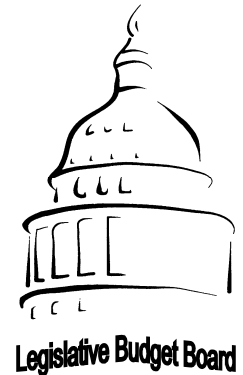
Fund 193, Foundation School Fund (GR): 2012-13 estimate, \$24.1 B

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

Other MOFs Used for FSP Historically

- ARRA stimulus funds (2010-11)
- State Highway Fund (2006-07 and 2008-09)
- Economic Stabilization Fund (most recently 2004-05)

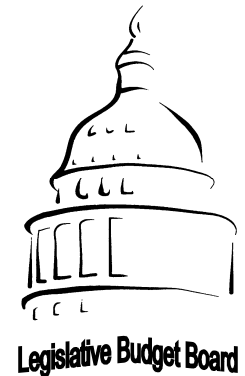
Methods of Finance for the FSP, cont'd



Factors Affecting Total Appropriations Level

- FSP entitlement based on statute,
- Local tax revenue, and
- State underpayments/overpayments in prior year (settle up).

Methods of Finance for the FSP, cont'd



2012-13 FSP All Funds Appropriations

MOF	2012	2013	12-13 Biennium
ASF	\$1,250	\$1,877	\$3,127
PTRF	\$2,199	\$2,339	\$4,538
Lottery	\$1,002	\$1,006	\$2,008
Appropriated Receipts	\$907	\$836	\$1,743
Fund 193	\$13,491	\$10,579	\$24,070
TOTAL	\$18,849	\$16,637	\$35,486