

FIGURE 170

MAJOR FOUNDATION SCHOOL PROGRAM (FSP) COST DRIVERS AND LEGISLATIVE ACTIONS, 2016–17 BIENNIUM

2016–17 CURRENT LAW OBLIGATIONS AND COST DRIVERS MORE THAN 2014–15 BASE	GENERAL REVENUE FUNDS (IN MILLIONS)
Student Enrollment Growth	\$2,660
Projected Growth:	
83,000 in fiscal year 2016	
85,000 in fiscal year 2017	
School District Property Value and Revenue Increase	(\$4,250)
Projected Growth:	
Tax Year 2014: 8.74%	
Tax Year 2015: 4.56%	
Tax Year 2016: 6.18%	
Increase in Formula Costs:	\$1,430
Additional cost related to Basic Allotment of \$5,040 in both fiscal years and increased Austin ISD yield growth	
Settle-up and Other Costs (e.g. enrichment tax effort, prior year and other adjustments)	\$10
Recapture Increase More Than Base	(\$1,150)
Property Tax Relief Fund Increase More Than Base	(\$180)
TOTAL, 2014–15 COST DRIVERS	(\$1,480)
EIGHTY-FOURTH LEGISLATIVE ACTIONS	
Increase Basic Allotment to \$5,140	\$1,237
M&O Tax Rate Conversion	\$200
New Instructional Facilities Allotment	\$47.5
Instructional Facilities Allotment	\$55.5
Franchise Tax Relief	\$2,600
Homestead Exemption Increase	\$1,200
TOTAL, EIGHTY-FOURTH LEGISLATIVE ACTIONS	\$5,340
TOTAL, NET FSP INCREASE MORE THAN 2014–15 BASE, GENERAL REVENUE FUNDS	\$3,860

NOTE: ISD = Independent School District; M&O = maintenance and operations.
SOURCE: Legislative Budget Board.

The FSP is structured so that any change in estimated revenue from a dedicated revenue stream is made up by an opposite and equal change in Foundation School Fund No. 193, which draws on unrestricted General Revenue Funds. As a result, increases in any other FSP funding source from the previous biennium will decrease the General Revenue Funds draw required to finance the FSP. In the 2016–17 biennium, recapture revenue is anticipated to grow by \$1,150 million, and Property Tax Relief Fund revenue is anticipated to grow by \$180 million, which in turn decreases the anticipated draw from General Revenue Funds by a total of \$1,330 million to support the FSP. Recapture is a financing mechanism to reduce a district’s property wealth per weighted student to a statutorily determined level.

The Eighty-fourth Legislature, 2015, authorized entitlement increases of \$1.5 billion for the 2016–17 biennium—including \$1.2 billion for an increase in the Basic Allotment

to \$5,140, \$200 million for maintenance and operations (M&O) tax rate conversion (see the Significant Legislation section); \$55.5 million for the Instructional Facilities Allotment, and \$47.5 million for the New Instructional Facilities Allotment. The Eighty-fourth Legislature also passed \$3.8 billion in tax relief measures, which result in increased General Revenue Funds required to fund the Foundation School Program.

FUNDING SOURCES

Figure 171 shows all the sources that fund the FSP in the 2016–17 biennium. As the figure shows, General Revenue Funds will account for an estimated 84.0 percent of the FSP appropriation through four sources: the Available School Fund (ASF), Texas Lottery proceeds, the General Revenue–Dedicated Tax Rate Conversion Account, and the Foundation School Fund, which is an amount distributed from the state’s