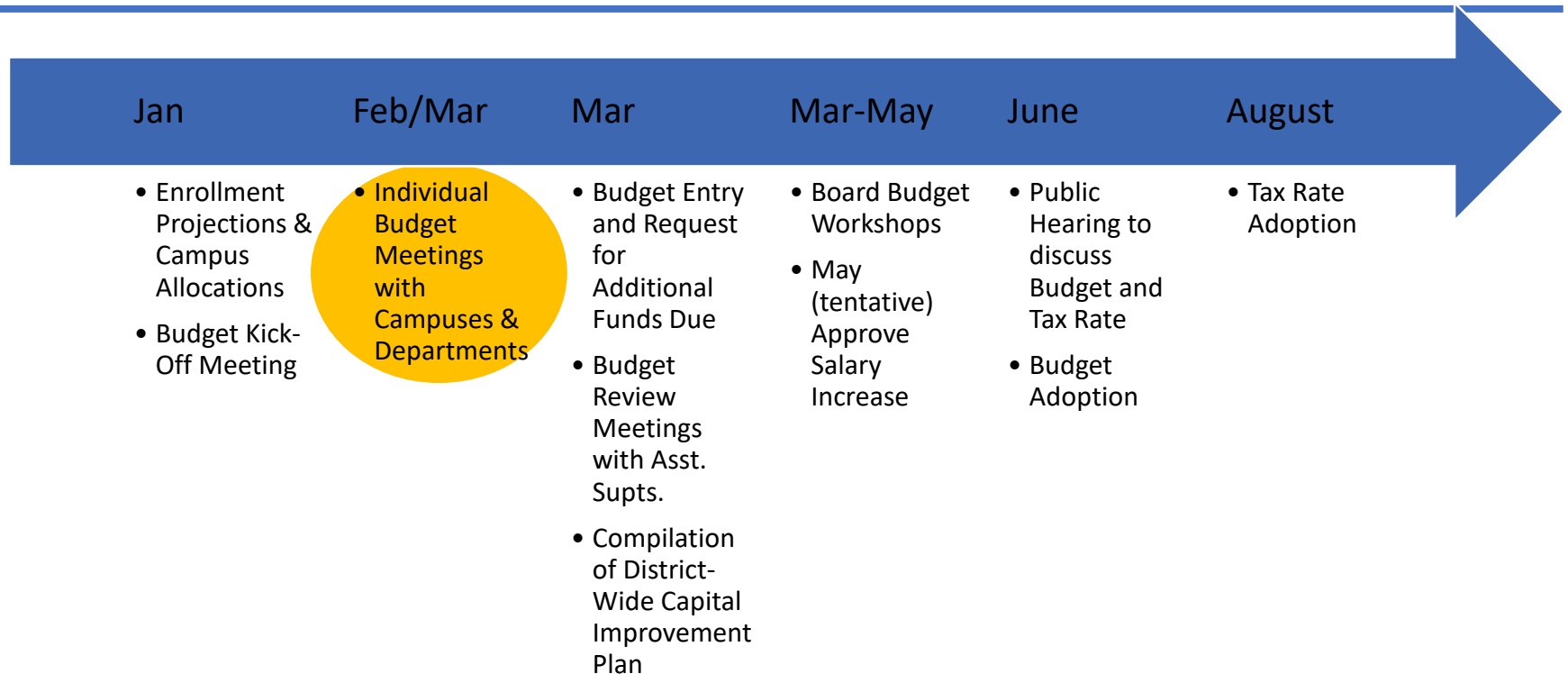


Fiscal Year 2019-2020 Budget Workshop #1

March 5, 2019



Budget Preparation Timeline



- This budget cycle incorporated individual campus and department meetings with principals and directors and their secretaries.
- A district-wide Capital Improvement Plan is also being developed.

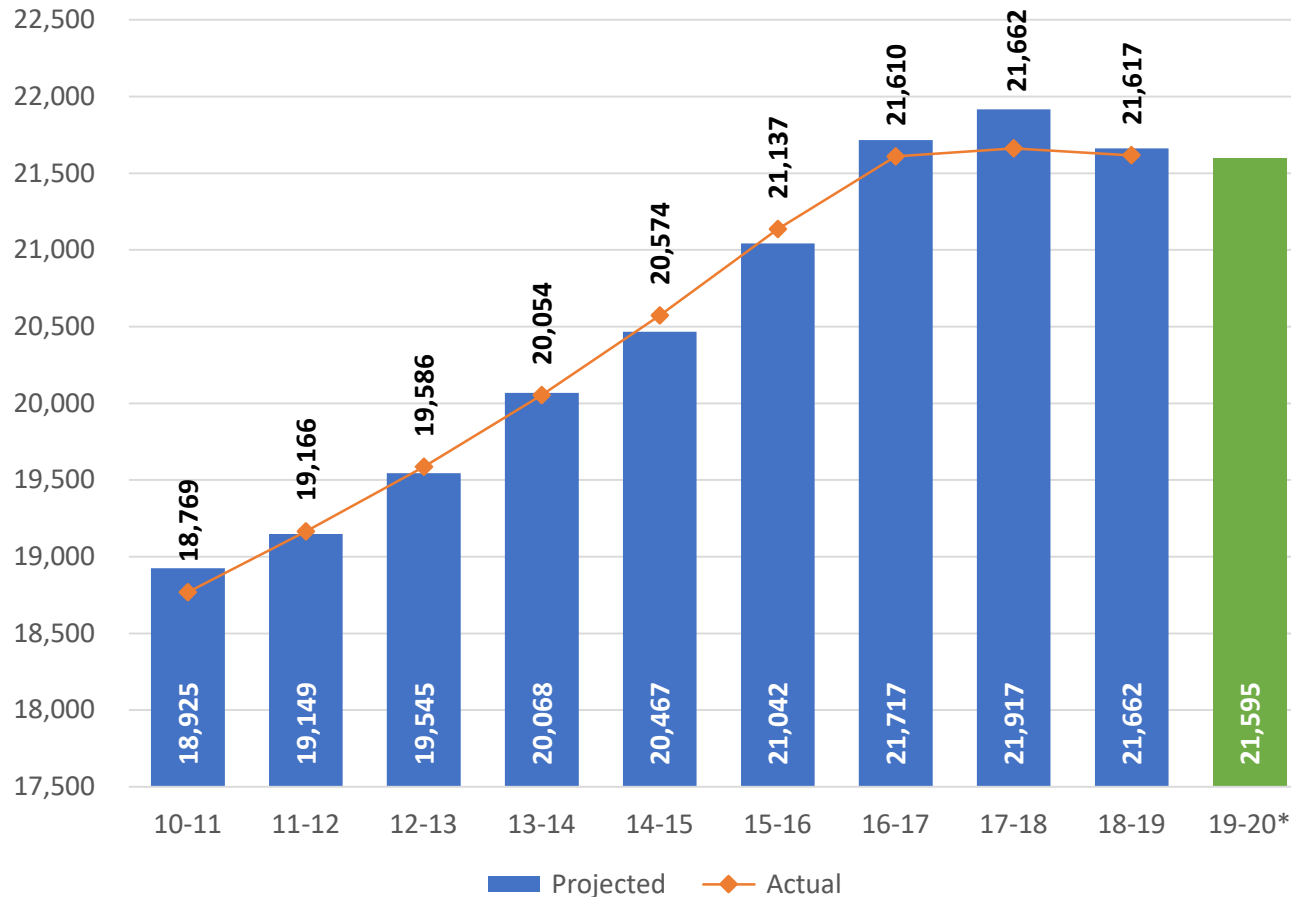
Information Required to Prepare Revenue Assumptions

- School Finance Law/Legislative Outcome
- Enrollment Projections
- Attendance Rates
- Student Demographics
- Taxable Values
- Tax Rate and Tax Collections
- Other Relevant Factors

Information Required to Prepare Expenditure Assumptions

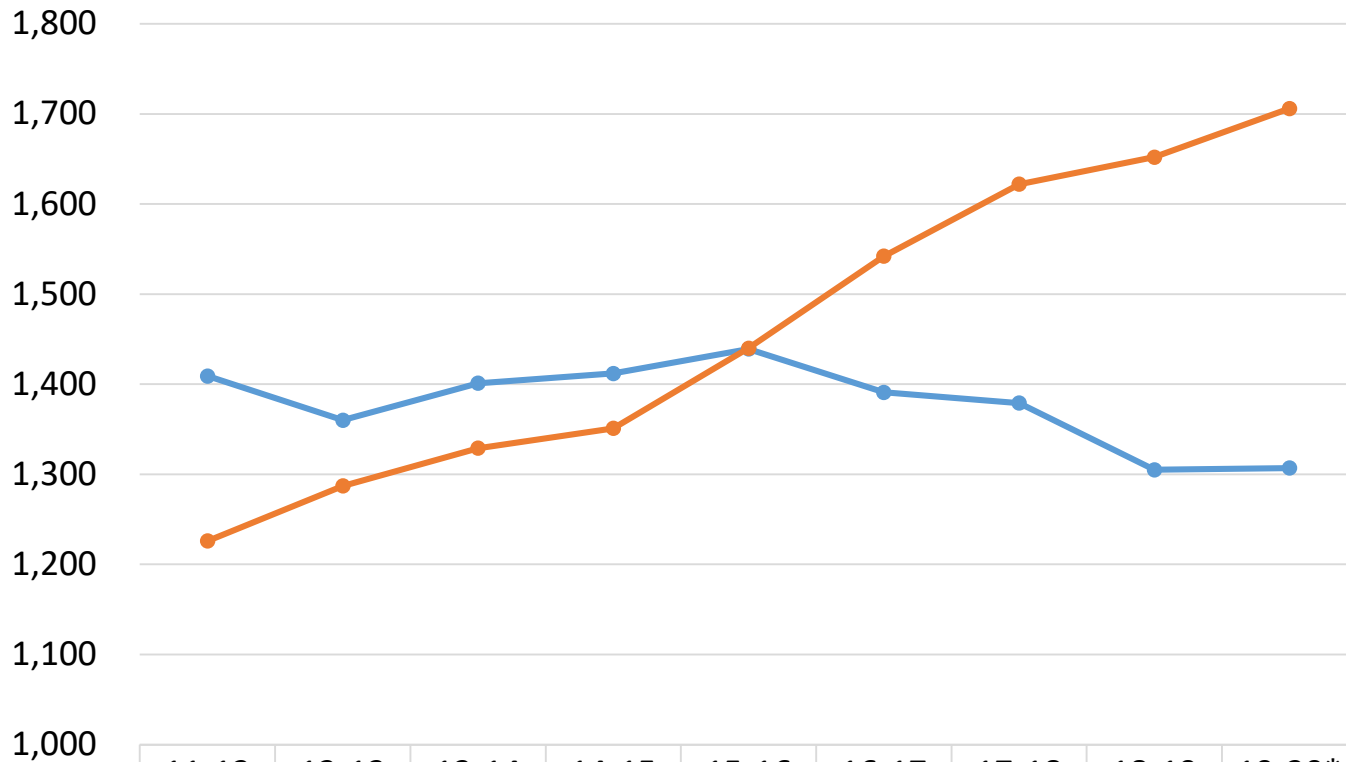
- Revenue Levels
- Legislative Mandates
- Staffing Needs
- Salary Increases
- Benefit Contributions
- District Initiatives
- Grants Availability
- Prioritized Needs (Requests for Additional Funds)
- Other Relevant Factors

10-Year Historic Comparison of Projected to Actual Enrollment



*2018-19 and 2019-20 Estimated

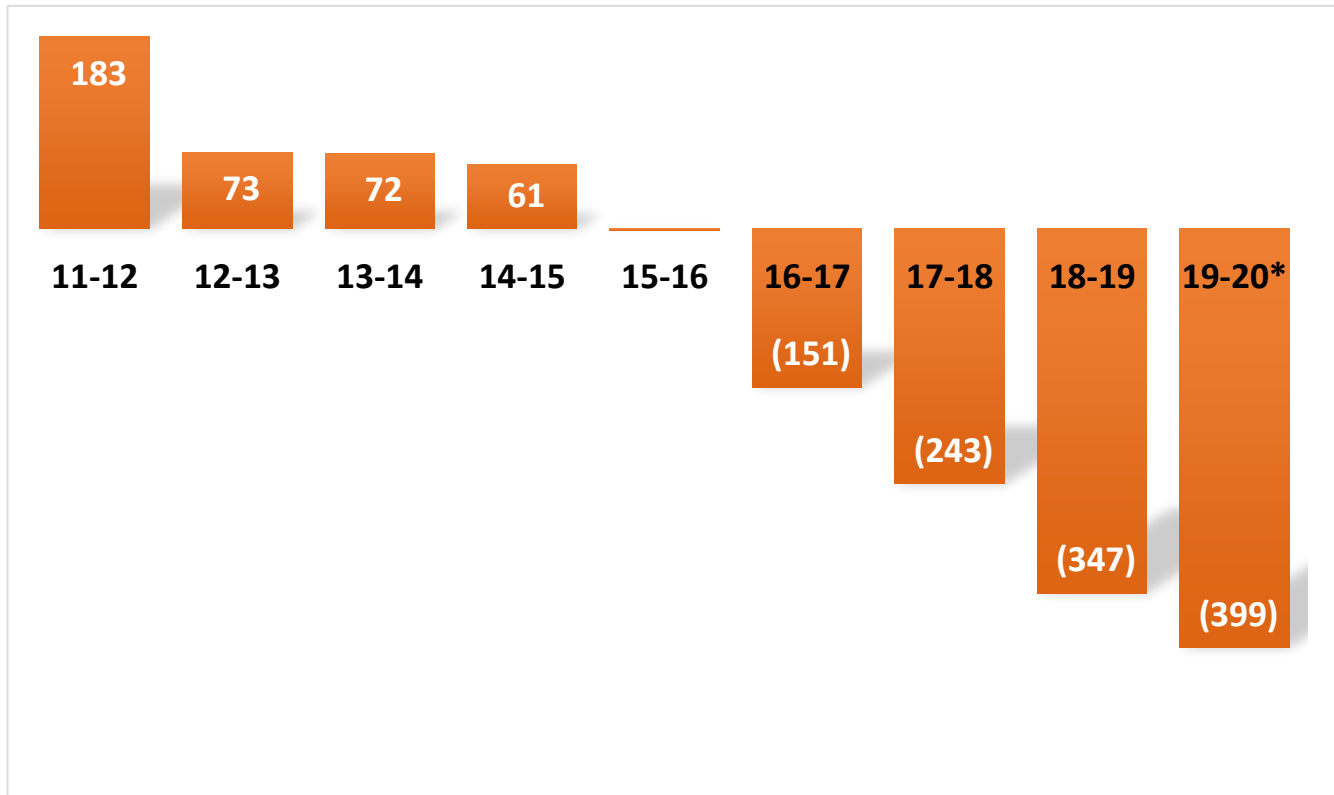
Comparison of Incoming Kindergarten & Outgoing Graduating Class Size



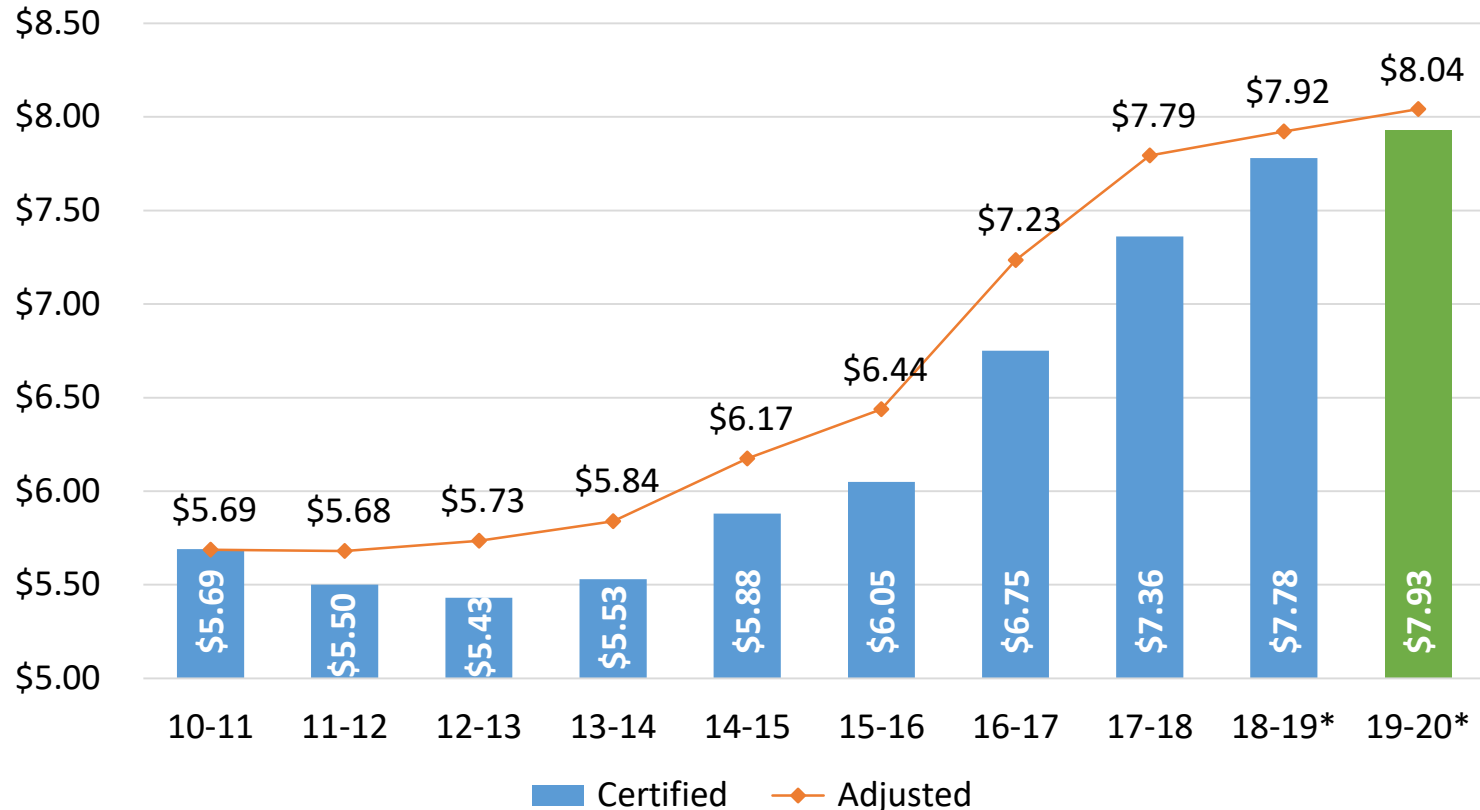
	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20*
Kindergarten	1,409	1,360	1,401	1,412	1,439	1,391	1,379	1,305	1,307
Grade 12	1,226	1,287	1,329	1,351	1,440	1,542	1,622	1,652	1,706

Kindergarten Grade 12

Difference Between Incoming Kindergarten and Graduating Class



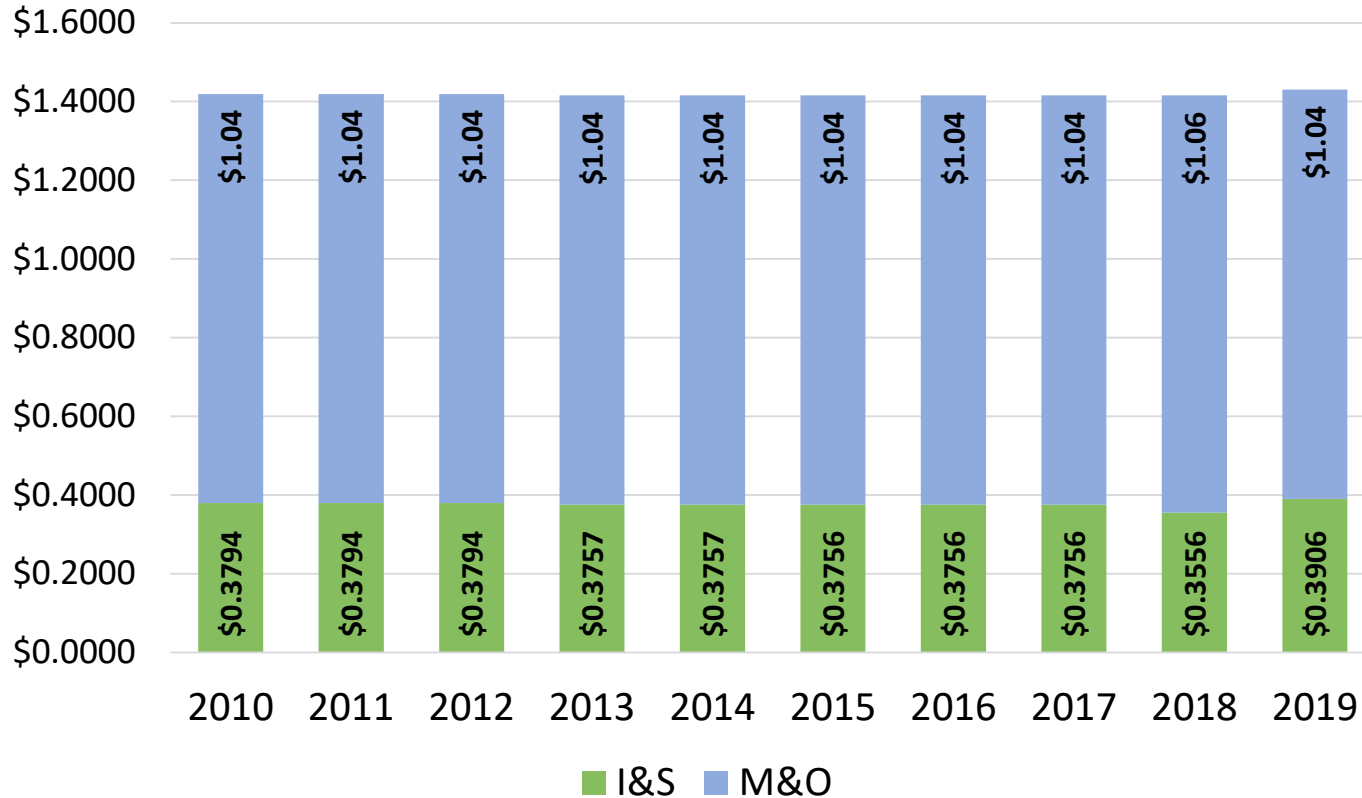
Local Property Values Last 10 Fiscal Years (in Billions)



*18-19 Adjusted Property Value is the actual amount as of February 2019

*19-20 Estimates have not been prepared by the County

Historical Tax Rates



Tax Rate is per \$100 Valuation

General Operating Fund Revenues

General Fund Revenue Projection

\$166 million (Preliminary/Current Legislature)

	FY 2018-19 Adopted	FY 2018-19 Amended*	FY 2019-20 Projected**	FY 2019-20 Projected Variance from Current Revenues	Percent Change
Revenues					
Local	\$81,190,400	\$82,694,869	\$82,010,346	(\$684,523)	-0.83%
State	84,076,711	90,478,445	81,911,288	(8,567,157)	-9.47%
Federal	2,106,000	2,106,000	2,106,000	-	0.00%
	<u>\$167,373,111</u>	<u>\$175,279,314</u>	<u>\$166,027,634</u>	<u>(\$9,251,680)</u>	<u>-5.28%</u>

*2018-19 Amended includes today's board approval request

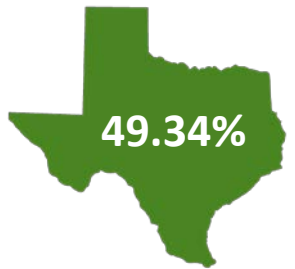
*2019-20 is based off current funding formulas

General Fund Revenues

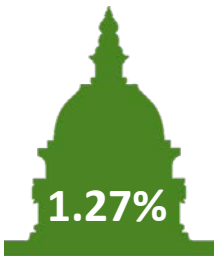
\$166 million



Preliminary revenue estimates are \$82 million from local sources, including property taxes, earnings on investments, rent, gate receipts, and tuition and fees. Revenues from current and prior year tax collections constitute \$79.6 million or 97.1% of local revenues.

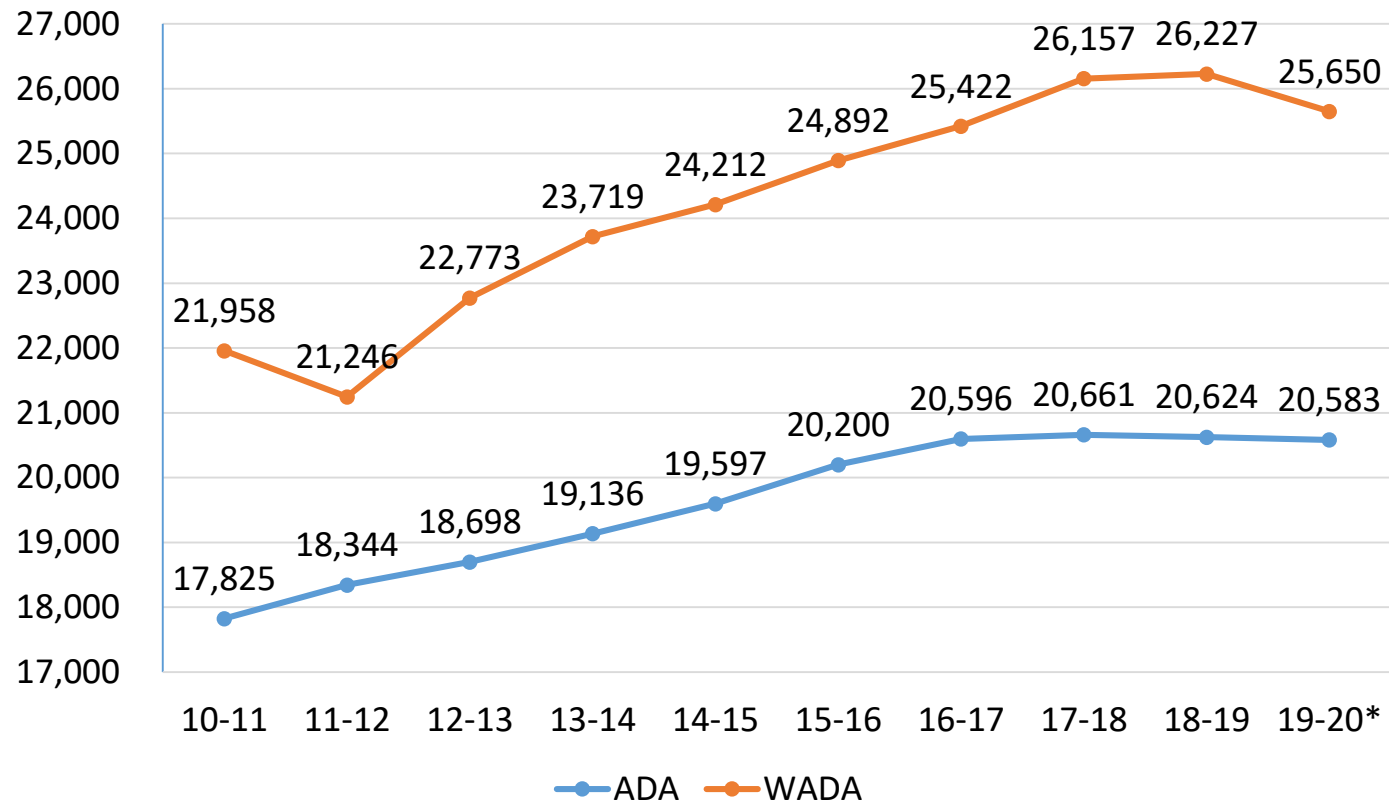


The State contribution has been decreasing as a percentage of total revenues due to an increase in local property values. Foundation School Fund and Available School Fund revenues are projected at \$73.4 million and TRS On-Behalf at \$8.5 million for total State revenues of \$81.9 million.



Most federal revenues received are via reimbursements through Medicaid for providing services to special education students. Projected revenues for fiscal year 2019-20 are \$2.1 million.

ADA & WADA – Last 10 Fiscal Years



* Note: These are projected totals; spike on WADA during 17-18 and 18-19 was caused by an increase on ADA reported for Free & Reduced student counts due to full enrollment coded during September and October 2017 due to Harvey.

Tier I State Funding Basic Allotment

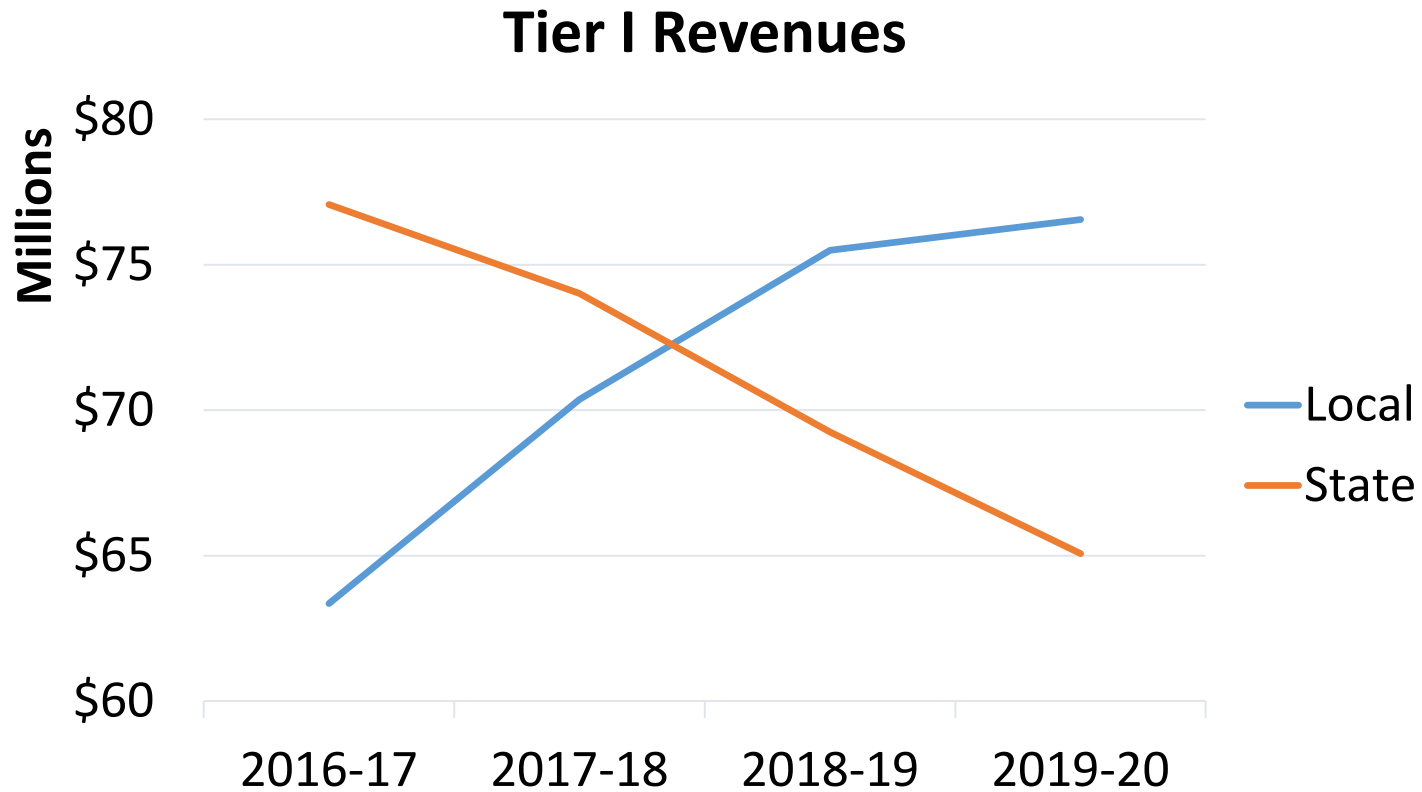
Tax Year	2015	2016	2017	2018
Fiscal Year	2016-17	2017-18	2018-19	2019-20
District Property Values	\$6,334,851,051	\$7,037,231,349	\$7,550,037,471	\$7,655,692,526
Total Cost of Tier I	\$140,419,076	\$144,382,165	\$144,745,003	\$141,627,982
Less: Local Share	\$63,348,511	\$70,372,313	\$75,500,375	\$76,556,925
Total State Tier I Funding	\$77,070,565	\$74,009,852	\$69,244,628	\$65,071,057

- Tier I of the FSP is made up of several allotments, including those for regular basic education, special education, career and technical education, bilingual/English as a Second Language education, compensatory education, gifted and talented education, transportation, new instructional facilities, and the high school allotment.
- The higher the property wealth per student (local share), the higher the proportional deduction from the total cost of Tier I.

Property Values & Funding Lag (School FIRST Indicator)

- A recent financial indicator requires the school board members to discuss the district's property values and the funding lag at a board meeting taking place within 120 days of the District adopting its budget.
- Prior year property values are used in the formulas to calculate State revenues causing a one year funding lag – a decrease in local revenues in the year of the property value decline is not recognized by the State until the subsequent year.

Local vs. State Share of Basic Allotment



Tier II State Funding Basic Program Enrichment

Tier II of the formula rewards the tax effort of a district by guaranteeing that tax effort in the current year, beyond the required local share of Tier I, will yield a minimum amount of money per WADA.

- For 2019-20 we are assuming the same guaranteed yield of \$106.28 per WADA (as FY 2018-19), per the first 6 cents above the compressed rate.
- At an FY 2019-20 M&O rate of \$1.04, the projected Tier II State revenue is \$7.84 million.
- A 2 cent M&O rate increase to \$1.06 maximizes State revenues generating an additional \$3.92 million for a total of \$11.76 million in Tier II State funding aside from increasing our local revenue by \$1.56 million.

Effect of a 2 cent increase to M&O during 2019-20

Additional State	Additional Local	Total Funds Generated
\$3,921,002	\$1,560,331	\$5,481,333

Effect of an Increase to the M&O Tax Rate

Tax Rate	Rate Increase	Additional Funding (in Millions)			Annual Taxpayer Impact
		State	Local	Total	
\$1.05	+ 1 cents	\$1.96	\$0.78	\$2.74	\$23.81
\$1.06	+ 2 cents	\$3.92	\$1.56	\$5.48	\$47.62
\$1.07	+ 3 cents	\$3.99	\$2.34	\$6.33	\$71.43
\$1.13	+ 9 cents	\$4.43	\$7.02	\$11.46	\$214.28
\$1.17	+ 13 cents	\$4.71	\$10.15	\$14.86	\$309.51

Each cent raised in taxes generates \$780,000 in local funds and \$1.96 million in State funds (up to \$3.92 million in State funds, for a maximum of two additional cents). Each cent increase beyond an M&O rate of \$1.06 generates an additional \$72,000 in State funding.

The annual cost of each cent beyond \$1.04 for a taxpayer with an average appraised home value of \$263,087 is \$23.81.

General Operating Fund Expenditures

General Fund Expenditures

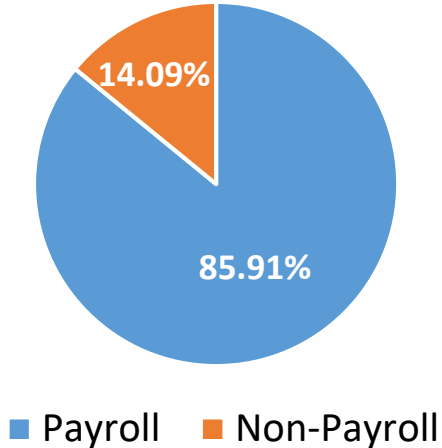
\$181.1 Million (Preliminary)

	2018-19 Adopted	2018-19 Amended	2019-20 Projected
Payroll	\$150,550,103	\$151,971,072	\$156,202,632
Non-Payroll	24,863,319	24,933,319	24,933,319
Total	<u>\$175,413,422</u>	<u>\$176,904,391</u>	<u>\$181,135,951</u>

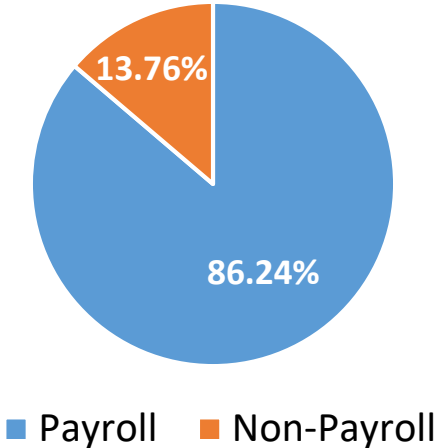
- Preliminary appropriations for fiscal year 2019-20 are projected at \$181.1 million, a \$4.2 million or 2.78% increase over estimated 2018-19 expenditures of \$176.9 million.
- Increases to payroll include a general 3% pay increase and associated benefits for a total cost of \$4.2 million.
- Non-payroll expenditures are currently appropriated at the same level as 2018-19 budgeted expenditures.

Comparison of Budget Breakdown Between Payroll and Non-Payroll

2018-19 Amended Budget



2019-20 Preliminary Budget



General Operating Fund Summary & Estimated Days in Fund Balance

	FY 2018-19 Adopted	FY 2018-19 Amended*	FY 2019-20 Projected**
Revenues	\$167,373,111	\$175,279,314	\$166,027,634
Expenditures	175,413,422	176,904,391	181,135,951
Revenues Over/(Under) Expenditures	(8,040,311)	(1,625,077)	(15,108,317)
Fund Balance, Beginning (Audited)	48,272,782	52,069,177	50,444,100
Fund Balance, Ending (Projected)	\$40,232,471	\$50,444,100	\$35,335,783
Estimated Days in Fund Balance	83.72	104.08	71.20

The 2018-19 estimated days in fund balance increased mainly due to the additional funding generated by increasing the M&O rate from \$1.04 to \$1.06 as well as an increase in State Compensatory Education (SCE) enrollment counts.

The preliminary 2019-20 projected fund balance shows a \$15.2 million decrease due to the M&O tax rate reverting back to \$1.04, losing the additional SCE enrollment counts generated during Hurricane Harvey, a slight decrease in enrollment coupled with a conservative growth in property values, and a preliminary general pay increase of 3%.

Status of the 2019-20 Budget Development Process

- Campuses and departments were given the same budget allocation as last year (retained the 10% budget reduction and no new capital than as approved last year)
- Pending to hold individual budget meetings with a few departments
- Campus/Department budget entry and requests for additional funds (including staffing) are due March 8th
- Awaiting results of the 2019-2021 Legislative Session (therefore, Budget Workshop #1 does not take into account the financial impact from legislative bills)

Direction Needed

- Future Budget Workshop Date(s)
- Salary Increase
- Benefit Contributions
- M&O Tax Rate Increase

Debt Service Fund

Debt Service Fund Tax Rate to Meet Debt Service Requirements

Tax Year	Fiscal Year	Tax Rate Increase/ (Decrease) in cents	Updated Projection
2017	2017-18		\$0.3756
2018	2018-19	(2.00 cents)	\$0.3556
2019	2019-20	3.50 cents	\$0.3906
2020	2020-21	2.00 cents	\$0.4106
2021	2021-22	2.55 cents	\$0.4361
2032	2032-33	(23.50 cents)	\$0.2011
2042	2042-43	(19.28 cents)	\$0.0083

Questions/Comments