
FINANCIAL OVERVIEW AND BUDGET SUMMARY

Executive Summary

Budget Introduction

The following document represents the proposed budget for the Spring Branch Independent School District (SBISD) for the 2020 fiscal year. The budget provides a look at the financial and program priorities based on the Spring Branch T-2-4 Plan for the 2019-2020 school year.

The Texas Legislature concluded the 86th Legislative Session by providing relief to ‘property wealthy’ districts making recapture payments to the state. SBISD recapture payments will be decreasing from \$86 million in fiscal year 2019 to \$35 million in fiscal year 2020. HB3 also increased the basic allotment, increased funding weights for the greatest economically disadvantaged students, English learners, and dyslexic students; as well as extended funding to CTE programming in middle schools. There will also be an increase for students in K-3 intended to support the full day Pre-K program. The general fund expenditures, excluding recapture, increased 7.5% from fiscal year 2019 to 2020.

The Board of Trustees prioritized salaries in their budget parameters. SBISD strives to provide salaries and benefits to maintain its competitive position for recruiting and retaining quality staff, and to ensure the students of SBISD are well-equipped to continue their education and attain a technical certificate, entrance into the military or a two- or four-year degree. The FY 2020 proposed budget includes a six to nine percent salary increase for staff on the teacher salary schedule and four to seven percent increase for the counselor salary schedule. Staff on a pay band will receive 4% of midpoint for full time employees whose salary falls within the pay range for their job. A one percent of midpoint increase has been included for full time employees whose salary falls above the pay range for their pay band. These allocations of salary increases are reflective of the legislation requiring 30% of the new dollars be spent on non-administrative compensation with a differentiation for teachers with five or more years of experience.

The proposed budget for FY 2020 for the General Fund totals \$341,983,702 which represents an increase of approximately \$24 million from the final amended budget for FY 2019. The chart below represents a five-year analysis of the General Fund budget. This analysis excludes recapture payments to the State so that expenditures for the benefit of SBISD students is not distorted.

Fiscal Year	General Fund Expenditures*	\$ Increase/ Decrease	% Increase/ Decrease	Enrollment	Increase/ Decrease	Cost per Student	\$ Increase/ Decrease	% Increase/ Decrease
2016	289,819,956 (A)	9,319,061	3.32%	35,301	191	8,210	221	2.76%
2017	296,596,515 (A)	6,776,559	2.34%	35,079	-222	8,455	245	2.99%
2018	294,752,996 (A)	-1,843,519	-0.62%	35,022	-57	8,416	-39	-0.46%
2019	317,977,262 (B)	23,224,266	7.88%	34,681	-341	9,169	752	8.94%
2020	341,983,702	24,006,440	7.55%	34,651	-30	9,869	701	7.64%

* Excludes Recapture payments

(A) Audited Actual

(B) Final Amended Budget

Budget Overview and Planning

State funding formulas have been revamped by the Legislature for the 2020-2021 biennium. The formulas and student enrollment are used to calculate revenue for the District. The basic allotment per student has increased to \$6,160 for FY 2020.

Beyond student enrollment, much of the budget planning and development is focused on the general fund expenditure budget. Early in the budget cycle, senior management and the Board of Trustees discuss the priorities for the upcoming school year. With the Spring Branch T-2-4 Plan as the overarching guide, it is the document by which all decisions (especially funding decisions) are measured. Multiple paths for our students' long-term success is the primary goal and the budget priority. In planning for student success, the board prioritized Counseling and Social Emotional needs of students, English Learners, Dyslexia, and salaries for Teachers and Staff in order to provide the best for students. Additional campus budget allocations totaling over \$1 million were made to support these priorities. Central office and campus supports were also added.

The Board has fund balance policies which establish the appropriate level of fund balance for the general and debt service funds. If expenditures will exceed anticipated revenues, a key question is how much fund balance should be utilized. In governmental budgeting, the expenditure budget is the cap. Based on historical budgeting and spending patterns, the general fund is typically under spent by one to two percent which would result in actual expenditures being \$3 to \$6 million less than budgeted expenditures.

Paramount to building an annual budget is the identification of realistic assumptions agreed upon by the District and its governing body.

Revenues

General Fund revenue is budgeted to increase \$18.5 million, although the state funding formula provides an increase of \$30.9 million net of recapture. Revenue assumptions include a slight reduction in student enrollment and a 5.46% increase in property values. The most significant use of additional revenues will be the funding of employee salaries in accordance with HB3, and focusing on Board priority items. State funding and local taxable values are aggregated to determine the revenue for each school district. For the past several years Local Taxes have increased as a result of increases in Taxable Assessed Values, and State Funding has decreased accordingly. A tax rate reduction of just over seven cents is projected as a result of new legislation.

The following table provides a comparison of revenues by source for fiscal years 2019 and 2020:

General Fund Revenue Sources			
	Final Amended Budget FY 2019	Proposed Budget FY 2020	Percentage Change
Local Taxes	\$329,372,635	\$322,163,913	-2.19%
Less Recapture	(86,482,729)	(35,346,255)	-59.13%
Penalty / Interest & Misc. Tax	1,790,000	1,820,000	1.68%
State Funding	25,577,747	12,585,353	-50.80%
Prior Year Funding Adjustment	9,209,428	-	-100.00%
State TRS Contributions	16,308,341	17,205,300	5.50%
Federal & Other Sources	17,785,276	13,658,500	-23.20%
	<u>\$313,560,698</u>	<u>\$332,086,811</u>	5.91%

The basic elements of the State funding formula have changed this year; along with adjustments to the weights for special student populations. While the actual formula is rather complicated, the basic calculations are as follows:

- Tier I allots an amount per student to each school district based on average daily attendance (ADA) with additional weight given for special programs. From the total Tier I allotment, a deduction is made for the local district’s share based on the individual district’s property tax base. (This is the formula by which an increase in property values offsets state funding.) The remainder represents the State’s share of Tier I funding. Under this methodology, a district’s wealth factors significantly into its share of state funding. The higher the local property wealth per student, the higher the proportional deduction from the Tier I total. The basic concept that as wealth per student increases, State funding decreases continues to be a factor of the funding formula.
- 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 weighted ADA. The guaranteed yield amount is set at the 96th percentile rather than the Austin wealth per student in weighted average daily attendance which is \$98.56 for the biennium for the first 8 cents of tax rate above the compressed rate. Then the guaranteed yield drops to \$49.28 for additional pennies on the tax rate. Property values have a dramatic impact on both state and local revenue estimates. Student enrollment projections influence state revenue estimates, staffing decisions, per-pupil allocations, facility needs, debt issuance requirements, and many other budgetary decisions. The property values determine whether the source of funds is from a local property tax or state funding; and, in future years, value growth will also impact the tax rate that a district will set. This will control the rampant increases in recapture.

The primary factors influencing these estimates are as follows:

- Student Enrollment – The District has experienced moderate decline in enrollment in recent years. The student enrollment for fiscal years 2019 and 2020 showed marginal decrease. In fiscal year 2020 the projected enrollment will decrease by 30 students. A four-year history of student enrollments is located on the first page of this summary.
- Property Value – The Harris County Appraisal District has projected a 5.46% increase in property values for SBISD, which includes changes based on the impact of Hurricane Harvey. A recent history of taxable values is shown below. This estimate is also very important in developing revenue forecasts for the State and Local components of the General Fund as well as the Debt Service Fund.

Taxable Values - SBISD

<u>Fiscal Year</u>	<u>Property Value</u>	<u>% Increase</u>
2015	24,204,080,072	12.40%
2016	27,699,746,472	14.44%
2017	30,621,867,256	10.55%
2018	31,881,522,142	4.11%
2019	32,787,708,450	2.84%
2020*	34,576,916,145	5.46%

*Estimate

Tax Rate and General Fund Balance Impact

The District maintains a local Board Policy that sets a target for fund balance at 19% of annual budgeted expenditures. The proposed budget does not project a balanced budget, with expenditures exceeding revenues by \$9.9 million leaving a projected fund balance at the end of FY 2020 of \$70 million or 20.6%. The ending fund balance for FY 2020 is based upon final estimates for FY 2019.

The proposed budget is based on a tax rate of \$1.0165 for the General Fund, which is the result of the new legislation reducing the current compressed tax rate from \$1.00 to a \$0.93 plus now eight cents of “golden pennies”. The “golden pennies” are not subject to recapture. Additionally the remaining 1 cent of the District’s current tax rate is now a “copper penny” compressed by approximately 65%.

The following table shows SBISD’s tax rate for the General Fund and Debt Service Fund which had been constant at a total of \$1.3945 for the 10 years, preceding FY2020 compression of the tax rate.

District Tax Rate - 10 Year History

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2011	1.0900	0.3045	1.3945
2012	1.0900	0.3045	1.3945
2013	1.0900	0.3045	1.3945
2014	1.0900	0.3045	1.3945
2015	1.0900	0.3045	1.3945
2016	1.0900	0.3045	1.3945
2017	1.0900	0.3045	1.3945
2018	1.0900	0.3045	1.3945
2019	1.1100	0.2845	1.3945
2020*	1.0165	0.3045	1.3210

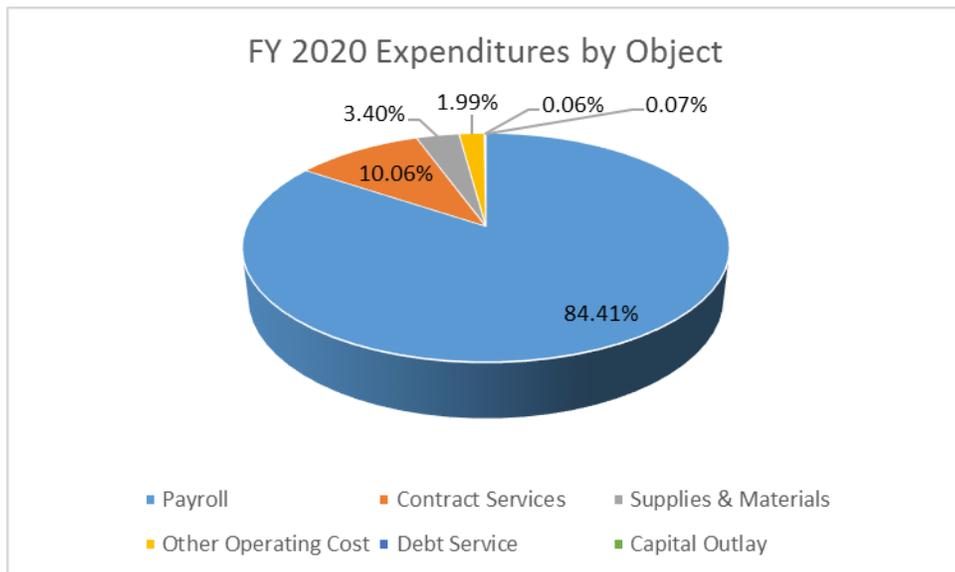
*Projected

Expenditures

General Fund expenditures, excluding recapture, are budgeted to increase by \$24 million from the FY 2019 final amended budget. The following table provides a comparison of budgeted expenditures by major objects for fiscal years 2019 and 2020:

General Fund Expenditures by Object

	Amended Budget FY 2019	Proposed Budget FY 2020	Percentage Change
Payroll Costs	\$260,534,857	\$288,661,696	10.80%
Contracted Services	36,950,840	34,413,819	-6.87%
Supplies and Materials	11,814,352	11,640,246	-1.47%
Other Operating Cost	6,066,416	6,819,415	12.41%
Debt Service	288,701	216,526	-25.00%
Capital Outlay	2,322,096	232,000	-90.01%
District Expenditures	317,977,262	341,983,702	7.55%
Recapture	86,482,729	35,346,255	-59.13%
Total Expenditures	\$404,459,991	\$377,329,957	-6.71%



The education of students is a labor-intensive process with payroll expenditures comprising approximately 84% of the General Fund Budget. The district initiated a compensation study performed by TASB during the 2016-17 school year. The results and recommendations were implemented over a two year period beginning with the 2017-18 school year. The compensation package in this budget includes a 6% to 9% increase in the Teacher’s step schedule and a 4% to 7% increase in the Counselor’s step schedule. Employees not on a step schedule are paid on pay bands and will receive an increase based on 4% of midpoint for full time employees whose salary falls within the pay range for their job type. Full-time employees whose salary falls above the pay range for their pay band will receive a 1% of midpoint increase.

Spring Branch ISD will maintain the District’s current contribution level for health insurance. One of the most important expenditure assumptions necessary to develop the budget and future year projections is the compensation package, as it is a recurring expense that can add significantly to the budget total for the upcoming and subsequent budget years.

The following chart shows the history of salary increases in recent years.

<u>Fiscal Year</u>	<u>Teachers, Nurses, Librarians, Counselors & Diagnosticians</u>	<u>Administrative, Professional Support, Secretarial/Technical & Auxiliary Staff</u>
2012	No Increase	No Increase
2013	2.00%	2.00%
2014	3.00%	3.00%
2015	3.0% Average	2.0% Average
2016	3.0% Average	3.0% Average
2017	2% Supplemental Pay	2% Supplemental Pay
2018	3% of Midpoint within range, or 1% of Midpoint if above range	3% of Midpoint within range, or 1% of Midpoint if above range
2019	3% of Midpoint within range, or 1% of Midpoint if above range	3% of Midpoint within range, or 1% of Midpoint if above range
2020	Teacher's Step Schedule increase 6% - 9%, Counselor's Step Schedule increase 4% - 7%	4% of Midpoint within range, or 1% of Midpoint if above range

The following two charts indicate the allocations for the campus operating budgets, excluding payroll cost. Allocations increased for FY 2020:

	Pre - K		Elementary	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Allocations				
Basic	\$69	\$75	\$51	\$65
Comp. Ed.			\$13	\$20
BiI/ESL			\$5	\$20
Special Education			\$5	\$10
Small School Adjustment			\$2	\$5

	Middle		High	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Allocations				
Basic	\$53	\$70	\$74	\$85
Comp. Ed.	\$10	\$25	\$10	\$25
BiI/ESL	\$5	\$25	\$5	\$25
Special Education	\$5	\$10	\$5	\$10
Title Eligible			Flat Rate	\$125

These adjustments have increased the campus allotment by \$1.17 million in FY 2020. This will provide the campus with additional resources to impact each student's learning.