



Board Meeting  
August 6, 2020

## 2020-21 Budget Update



# Overview of Education Funding

## Primary funding sources for public education

- » Local property taxes
- » State contributions
- » Federal funds

## Foundation School Program (FSP)

- » Primary source of state funding
- » Designed so all districts receive “substantially equal access to similar revenue per student at similar tax effort”
- » Formula driven using both local property tax collections and state general funds
- » **Key feature: as local property tax collections increase, state funding decreases**

## Foundation School Program (FSP)

### Maintenance & Operation (M&O)

Generally, the costs of running the school district



### Interest & Sinking (I&S)

To make bond payments

#### Tier 1 Basic Instructional Program

Regular Program Allotment

Special Purpose Allotments

- *Special Education*
- *Compensatory Education*
- *Bilingual Education*
- *Career & Technology Education*
- *Transportation*
- *New Instructional Facility (NIFA)*
- *Public Education Grant*
- *High School Allotment*
- *Early Education*
- *College & Career Readiness*
- *Dyslexia*

#### Tier 2 Enrichment

Tier 2: Level 1 Golden Pennies

*First 8 pennies of adopted M&O tax rate above compressed tax rate; called golden because high funding level and no recapture*

Tier 2: Level 2 Copper Pennies

*All pennies of M&O tax rate above the golden pennies (at least 11); called copper because low funding level and recaptured*

#### State Funding

*Instructional Facilities Allotment (IFA) & Existing Debt Allotment (EDA)*

#### Local Funding

*Ad valorem or Property tax collections generated by a locally-adopted I&S tax rate*

## Key Factors Influencing State Aid

Basic allotment (Tier 1)

**Student demographics & Average Daily Attendance (Tier 1)**

Comptroller Property Tax Division (CPTD) estimate of local values (Tier 1&2)

**Guaranteed yield (Tier 2)**

**Weighted Average Daily Attendance (WADA) (Tier 1&2)**

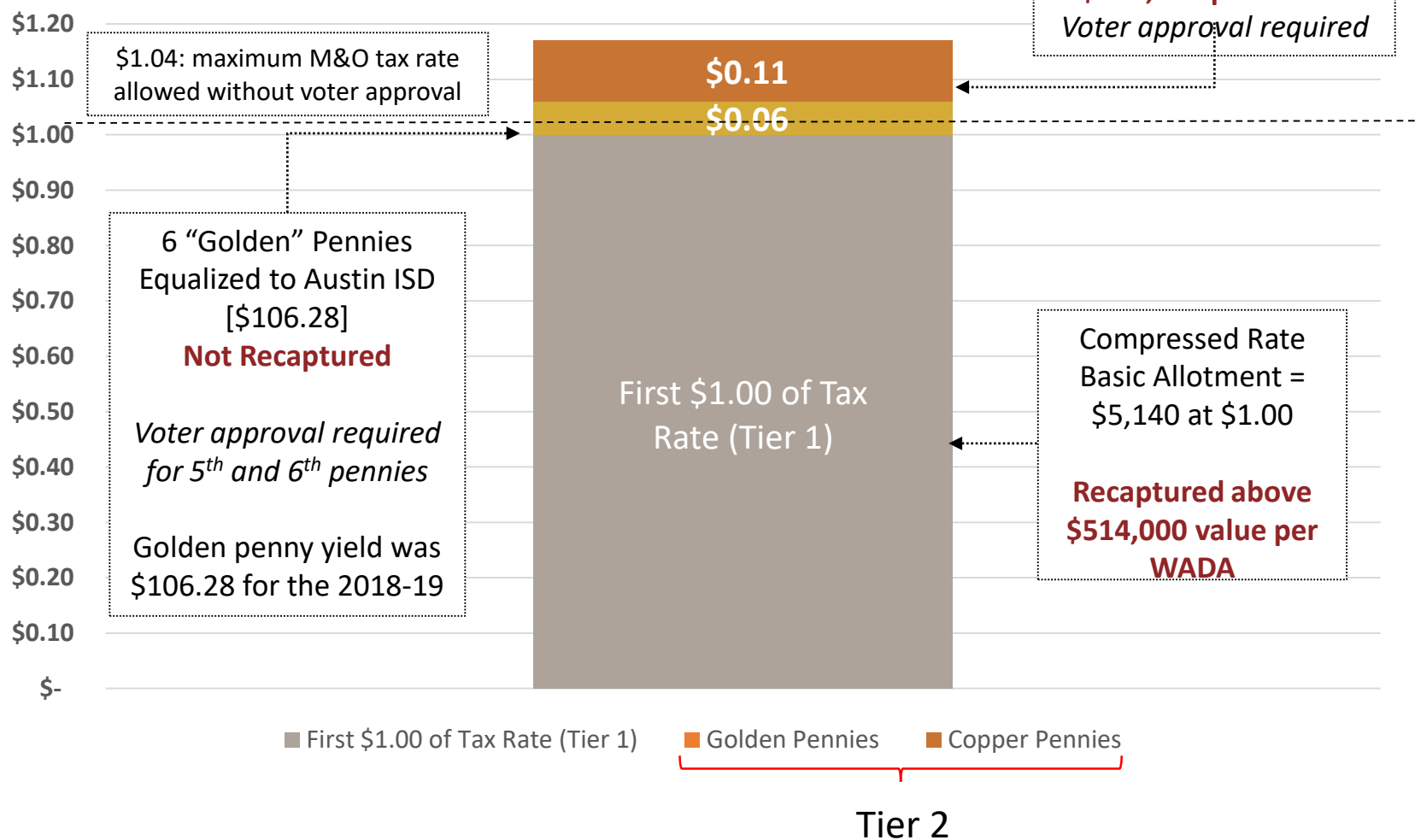




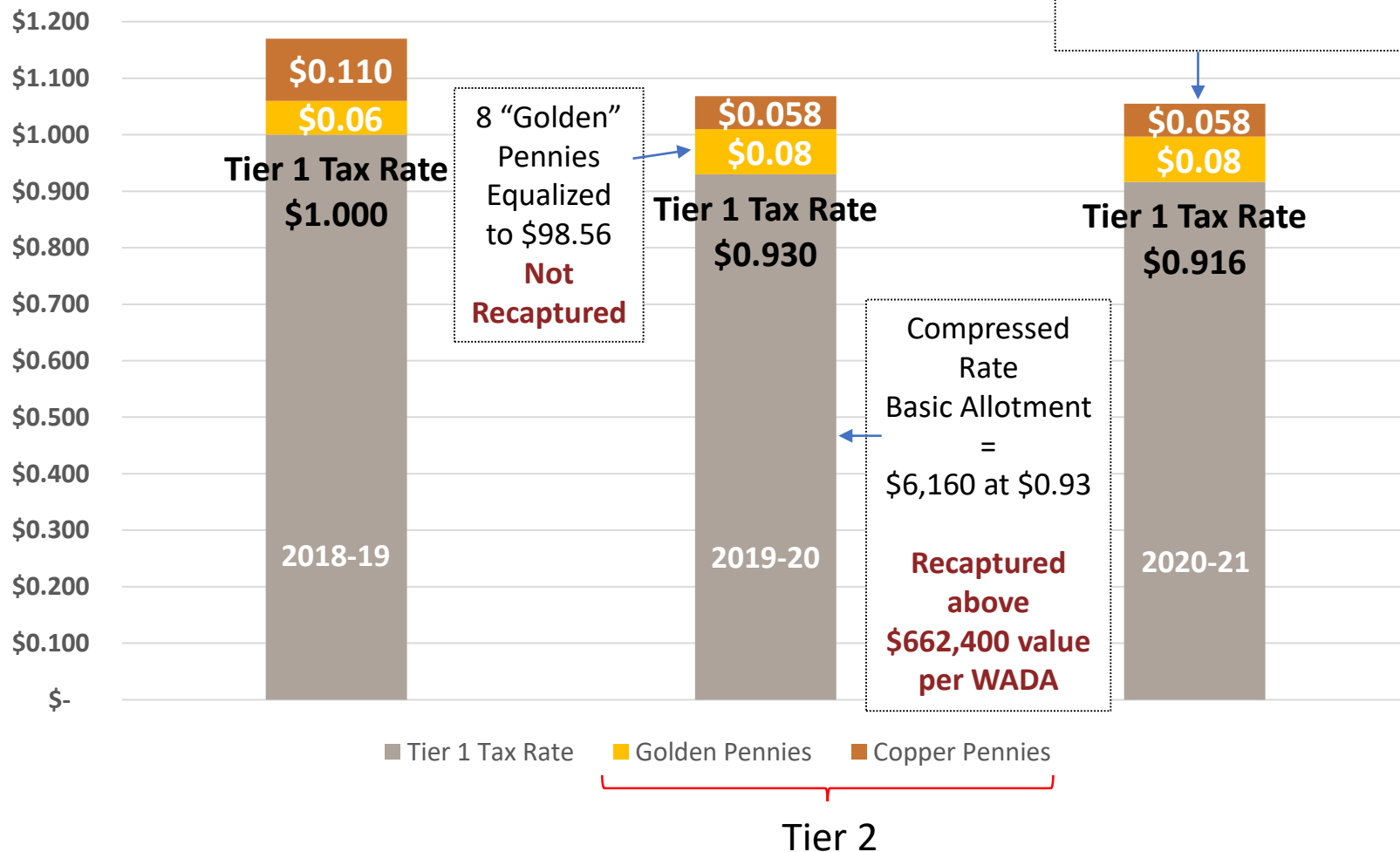
## 2020-21 Proposed Budget Tier 1 Funding

	Current Weights	Current FTEs	Tier 1 Revenue
Regular Program AA	1	21,740	\$ 133,919,332
Special Education	1.15-5.0	1,304	\$ 22,540,910
Career & Tech	1.35	843	\$ 7,010,200
State Comp Ed	1.225-1.275	16,430	\$ 25,369,471
Bilingual	1.05-1.15	7,461	\$ 5,472,665
Dyslexia	1.1	503	\$ 309,848
Early Education	1.1	7,350	\$ 4,582,797
College, Career, & Military Readiness	\$2,000-\$5,000	226	\$ 894,000
Other Allotments (Transportation, School Safety College Prep Exams)	N/A	N/A	\$ 1,745,882
<b>Total Cost of Tier I</b>			<b>\$ 201,845,105</b>

## Equalized Wealth Levels (pre HB3)



## Equalized Wealth Levels (HB3)



## 2020-21 Proposed Budget Tier 2 Funding

Proposed M&O Tax Rate	\$1.0547	Adopted Tax Rate
Net M&O Collections	\$247,463,016	Total M&O Collections
Yield Per Penny	\$2,346,288	M&O Collections per penny of Adopted Tax Rate
Golden & Copper Pennies	\$0.1383	8 Golden pennies and 5.83 Copper pennies (after compression)
M&O Collections Level 1 of Tier 2	\$32,449,166	Total M&O Collections for all Golden and Copper Pennies
Current Year CPTD T2	\$23,817,589,458	Comptroller's Property Value Estimate for Current Year
District Tax Rate (DTR) Golden Pennies (A)	\$0.0788	Ratio of M&O Collections for Golden & Copper Pennies to CPTD T2
District Tax Rate (DTR) Copper Pennies (A)	\$0.0574	
Weight Average Daily Attendance (WADA) (B)	32,521	
Guaranteed Yield - Golden Pennies (C)	\$98.56	Value of Each Golden Penny/WADA
Guaranteed Yield - Copper Pennies (C)	\$49.28	Value of Each Copper Penny/WADA
<b>Total Level of Tier 2 Entitlement</b>	<b>\$34,456,670</b>	<b>A*B*C*100 for Golden &amp; Copper</b>



## Formula Transition Grant

- Hold Harmless for Districts who would have lost funding under HB3
- HB3 guaranteed a minimum annual increase of 3% of ADA of the prior year funding
- Formula Transition Grant Funding for CFB in excess of \$23.6M for 2020-21
- Formula Transition Grant – set to expire 2023-24

## Formula Transition Grant (FTG) Calculation

	2019-2020	2020-2021
Old Law Revenue/ADA	\$ 10,660	
103% Of Old Law Revenue/ADA	\$ 10,979	
19-20 Hold Harmless for 20-21		\$ 10,979
HB 3 Revenue/ADA	\$ 10,057	\$ 9,981
Difference in Revenue/ADA	\$ 922	\$ 999
ADA	23,484.786	23,688.514
Formula Transition Grant Total	\$ 21,656,519	\$ 23,656,316

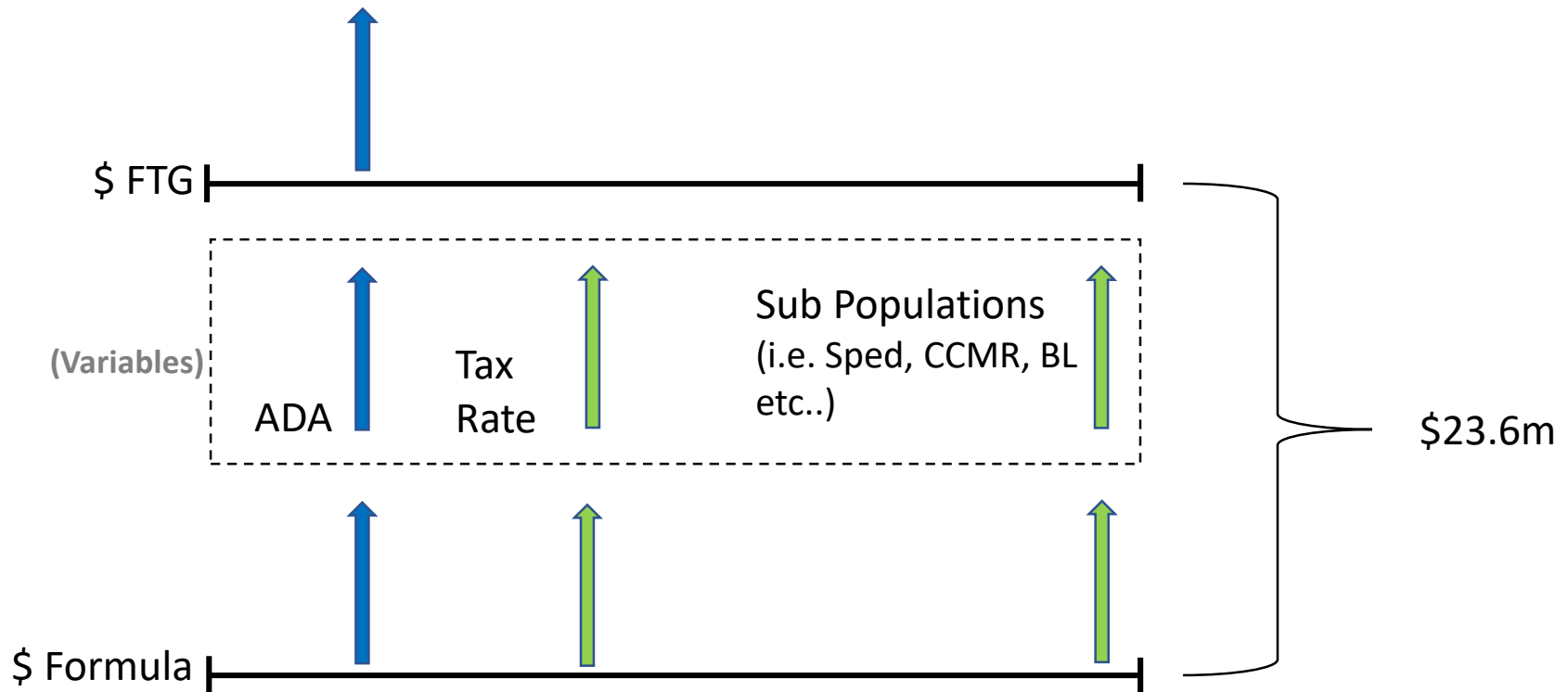
## Local Assignments & State Allocation

State Funding Elements	Proposed 2020-21 Budget
Total Cost of Tier 1	\$201,845,105
Less: Local Fund Assignment	<u>(\$218,264,390)</u>
<b>State Share of Tier 1</b>	\$0
Available School Fund (ADA * Per Capita Rate (\$400 est))	\$9,393,914
Total Tier 2 Entitlement	\$34,456,670
Less: Local Share of Tier 2	<u>(\$27,967,389)</u>
<b>State Share of Tier 2</b>	\$6,489,281
Formula Transition Grant (less TSB)	\$23,644,257
TRS On-Behalf	\$12,168,565
<b>Total 2020-21 State Allocation</b>	<u><u>\$51,696,017</u></u>



# Formula Transition Grant

Year 20-21



**FTG expires after 2023-24**

## Texas Economy Update

- Actual revenue decline is much greater: \$11.57 billion
- Deficit is lower due to lower spending, including reduced FSP cost of \$3.4 billion
- This is just the current-biennium deficit. Projected deficits for next biennium likely greater

### Texas faces a looming \$4.6 billion deficit, comptroller projects

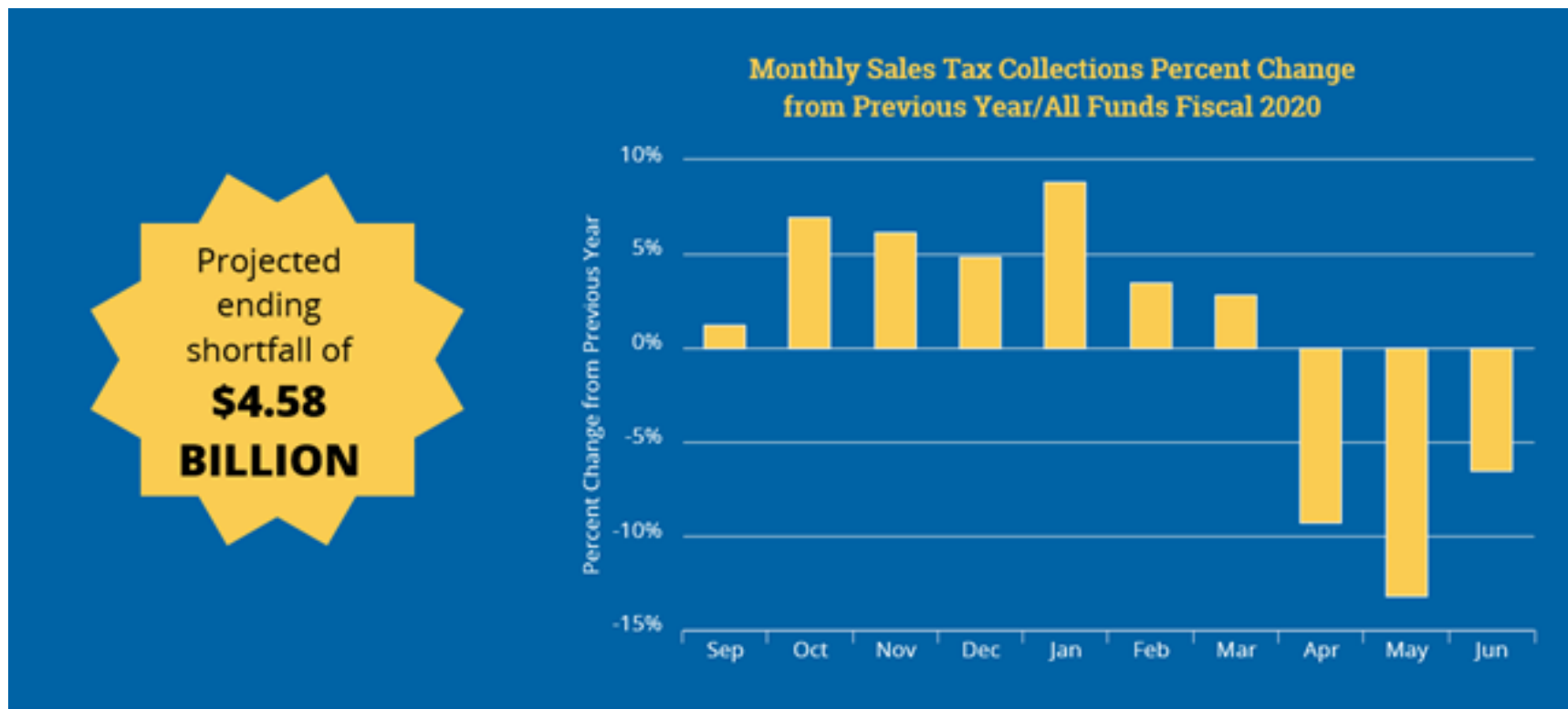
The coronavirus pandemic and low oil prices are driving down projected general revenue in the state's current budget by more than \$11 billion.

BY CASSANDRA POLLOCK JULY 20, 2020 UPDATED: 4 PM





## State Sales Tax Trend



**Glenn Hegar**

**Texas Comptroller of Public Accounts**

## State Revenue Performance FY 21

	Projected FY2021*	Est FY 2020
Sales Tax	-4.3%	-0.9%
Motor Vehicle Tax	-8.0%	-9.7%
Natural Gas Tax	-15.5%	-41.6%
Oil Production Tax	-36.5%	-20.9%
Alcoholic Beverage Tax	-5.9%	-19.7%
Cigarette and Tobacco	1.3%	-9.1%
Motor Fuels Taxes	-0.4%	-7.9%
Franchise Tax	-13.3%	3.5%

\*Certification Revenue Estimate, July 2020, All Funds

Source: Glenn Hegar, Texas Comptroller of Public Accounts

## State Budget Update

- Comptroller projects we have the tools we need to get through current biennium
- Any use of Rainy Day Fund to manage FY 21 means fewer tools to help lawmakers with next biennium
- Difficult decisions likely ahead
- Lawmakers taking note of ISD fund balances

## 2020-21 Budget

### Property Values

- Potential of late certifications due to difficulties of conducting “in-person” appeals
- Tax year 2020 values are based on January 1<sup>st</sup> valuation
- Expect significant number of value protests
- Based on certified “estimate” values could increase 3.13%
- Likely to see some depressed values for January 1, 2021 which will be used in the 2021-22 budget
- Property value growth only impacts overall debt service revenue, and not overall general fund revenue

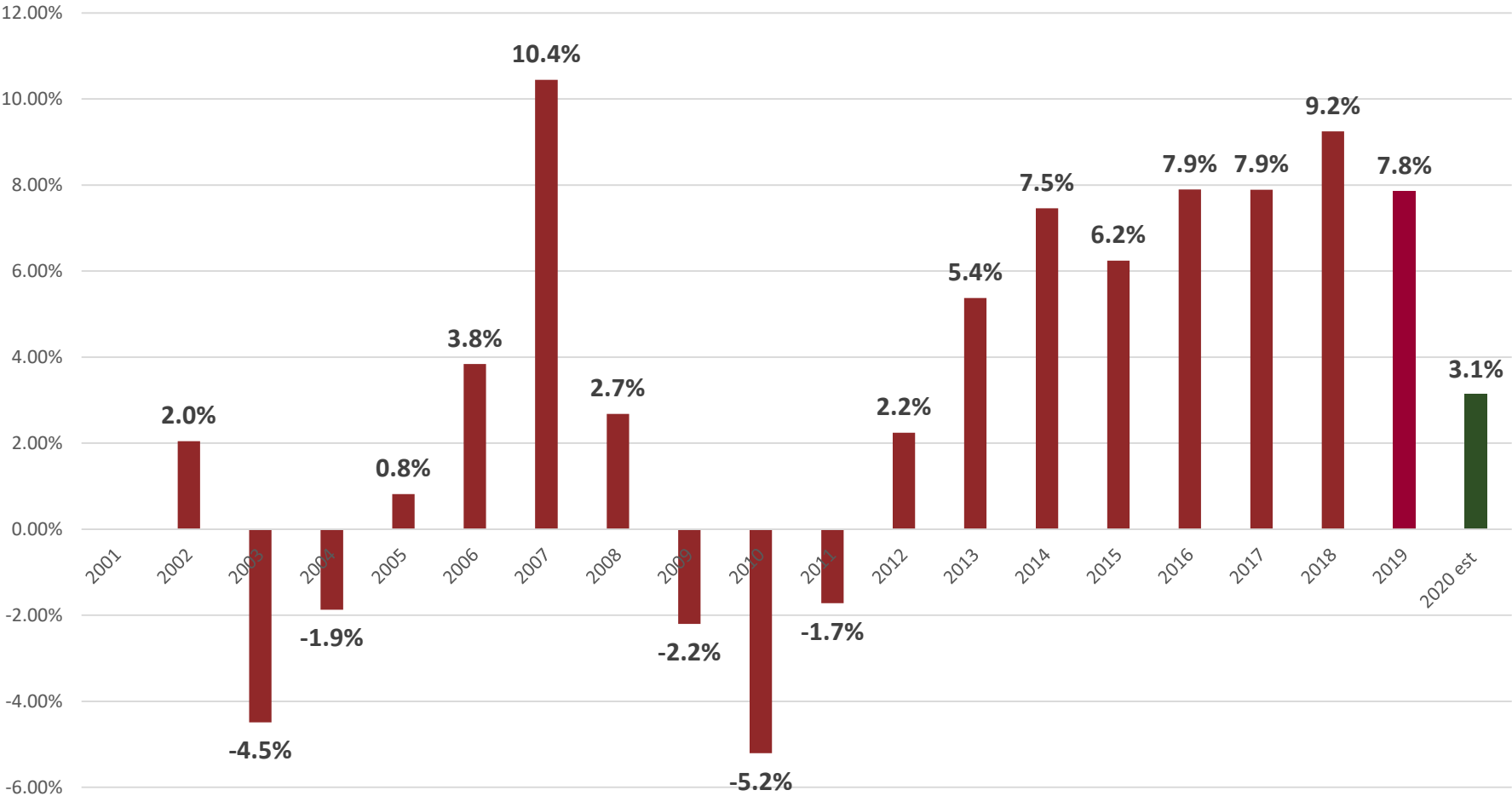
# Property Value by Tax Year



Source: County appraisal districts (CAD)

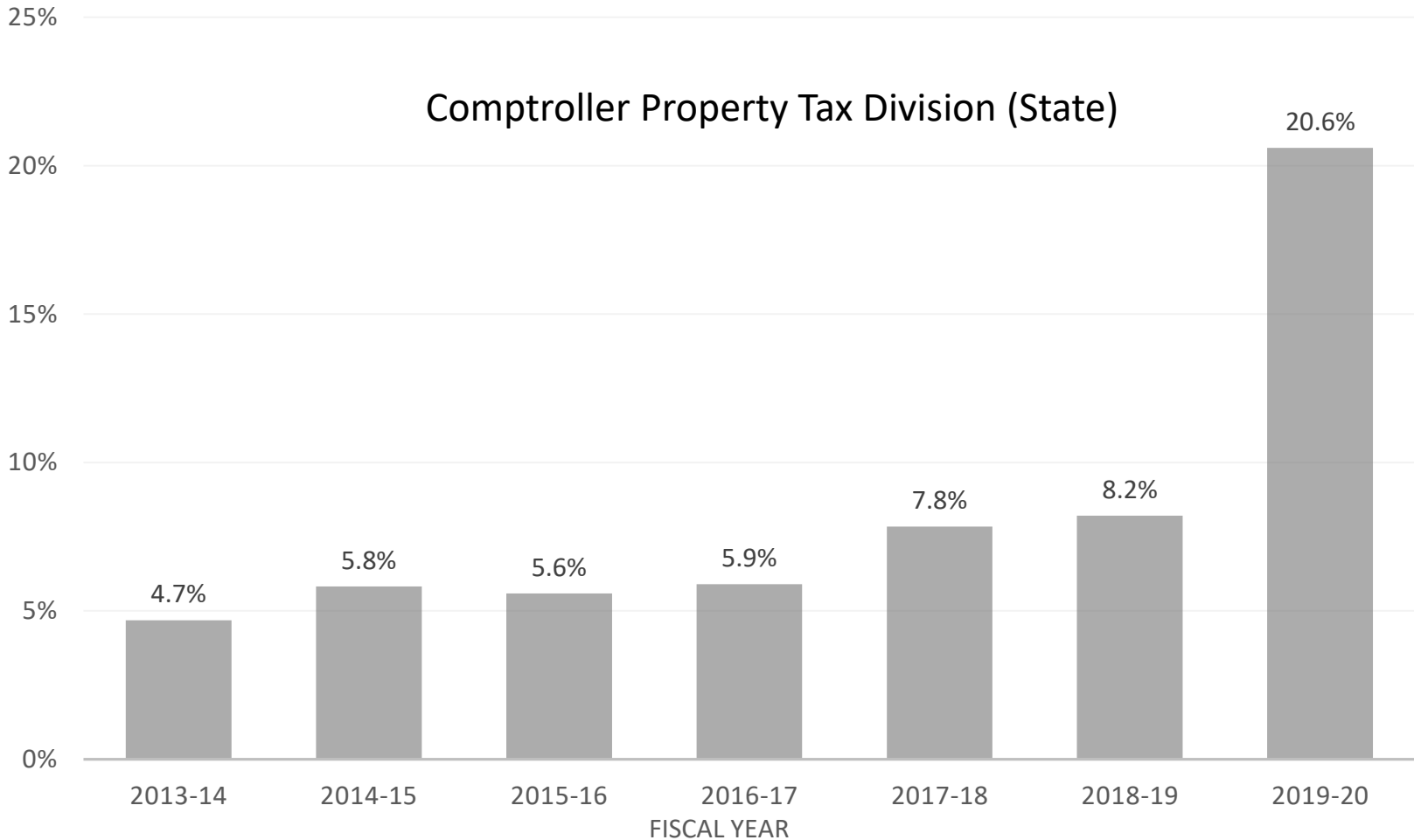


# Change in Certified Net Taxable Value

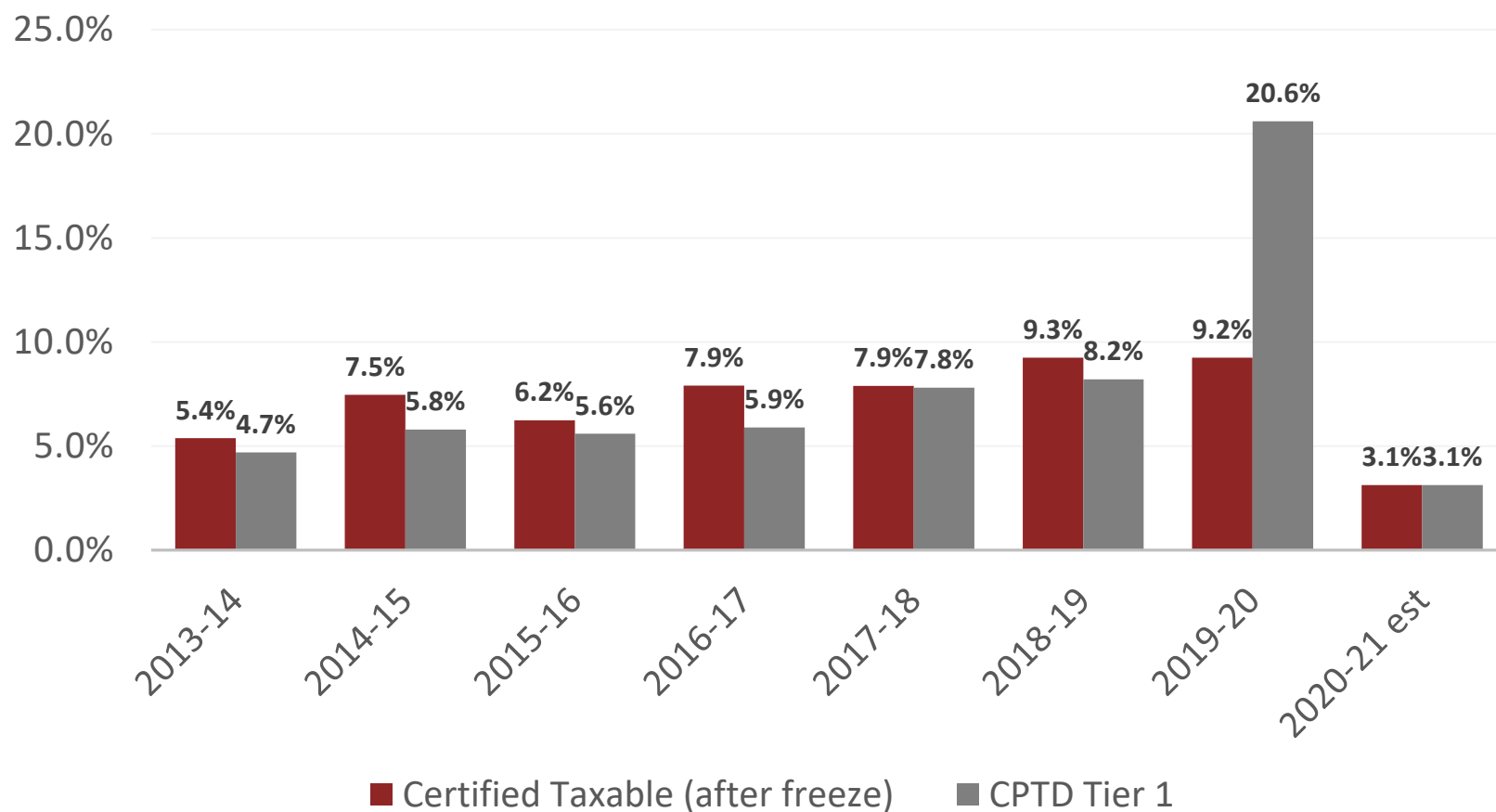


Source: County appraisal districts (CAD)

# Change in CPTD Property Values



## CPTD Value Compared to CAD Value



Source: County appraisal districts (CAD) & TEA

## Tax Rate

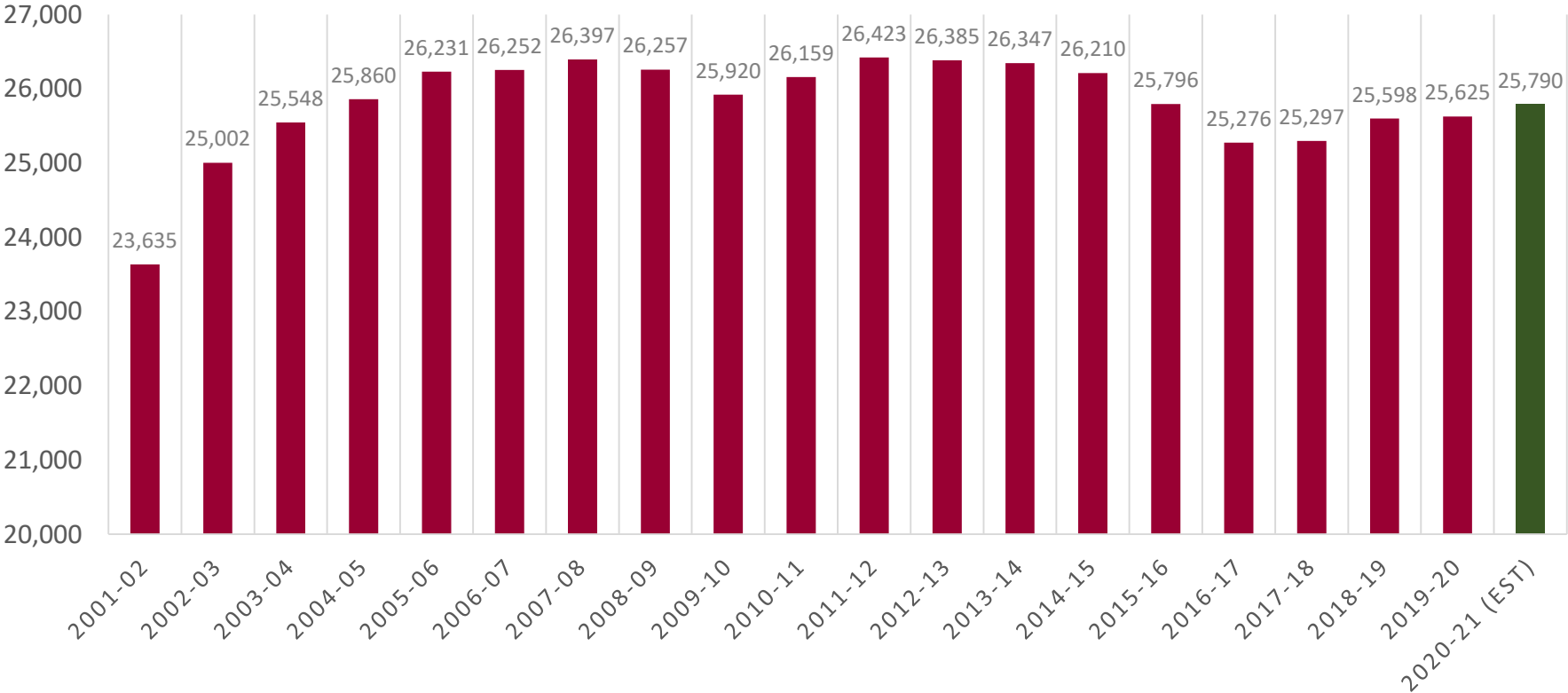
	2018-19	2019-20	2020-21**
<b>Tier I</b>	<b>\$ 1.00</b>	<b>\$ 0.93</b>	<b>\$ 0.9164</b>
<b>Golden Pennies</b>	<b>\$ 0.06</b>	<b>\$ 0.08</b>	<b>\$ 0.08</b>
<b>Copper Pennies</b>	<b>\$ 0.11</b>	<b>\$ 0.05835</b>	<b>\$ 0.0583</b>
<b>Total GF Tax Rate</b>	<b>\$ 1.17</b>	<b>\$ 1.06835</b>	<b>\$ 1.0547</b>

\*\* District is estimating 3.13% property value growth for 2020-21.

HB 3 Tier II/Copper Pennies are not compressed any further for 2020-21. Will only be adjusted if yield changes in future years.

# Enrollment Growth

## AVERAGE DAILY ENROLLMENT





## 2020-21 Budget Notes

### Revenue Notes

- Average Daily Attendance (ADA) – Hold Harmless – 1<sup>st</sup> & 2<sup>nd</sup> Six weeks ADA – based on last three years of ADA for same time of year
- ADA may be impacted by remote learning & other options
- Athletic revenue, tuition & fees, interest income all lower
- Other sources include CARES Act, Provider Relief Fund, FEMA Funding, and the Coronavirus Relief Fund.

### Expenditure Notes

- Fuel, utilities, substitutes, overtime, extra duty pay all lower due to remote instruction
- Other one time costs (signage, desk screen dividers)

## 2020-2021 Compensation Plan

- Attracting and retaining staff is District priority
- 2% salary increase = \$3.6M
- Increases in stipends and supplemental pay = \$0.4M
- One time years of service supplement = \$0.4M
- Attendance incentive for Bus Drivers = \$0.15M
- Total compensation investments = \$4.55M
- Retention Supplement for 2020-21 for board action  
August 20<sup>th</sup>

## 2020-2021 Retention Supplement

- Attracting & retaining staff is a District top priority
- All TRS eligible district staff employed as of 8/20/20
- \$1,500 or 2.5% of pay up to \$60,000 (average teacher salary)
- Paid as part of November paycheck
- Employees must be on staff on date of payout
- Cost \$4.4M

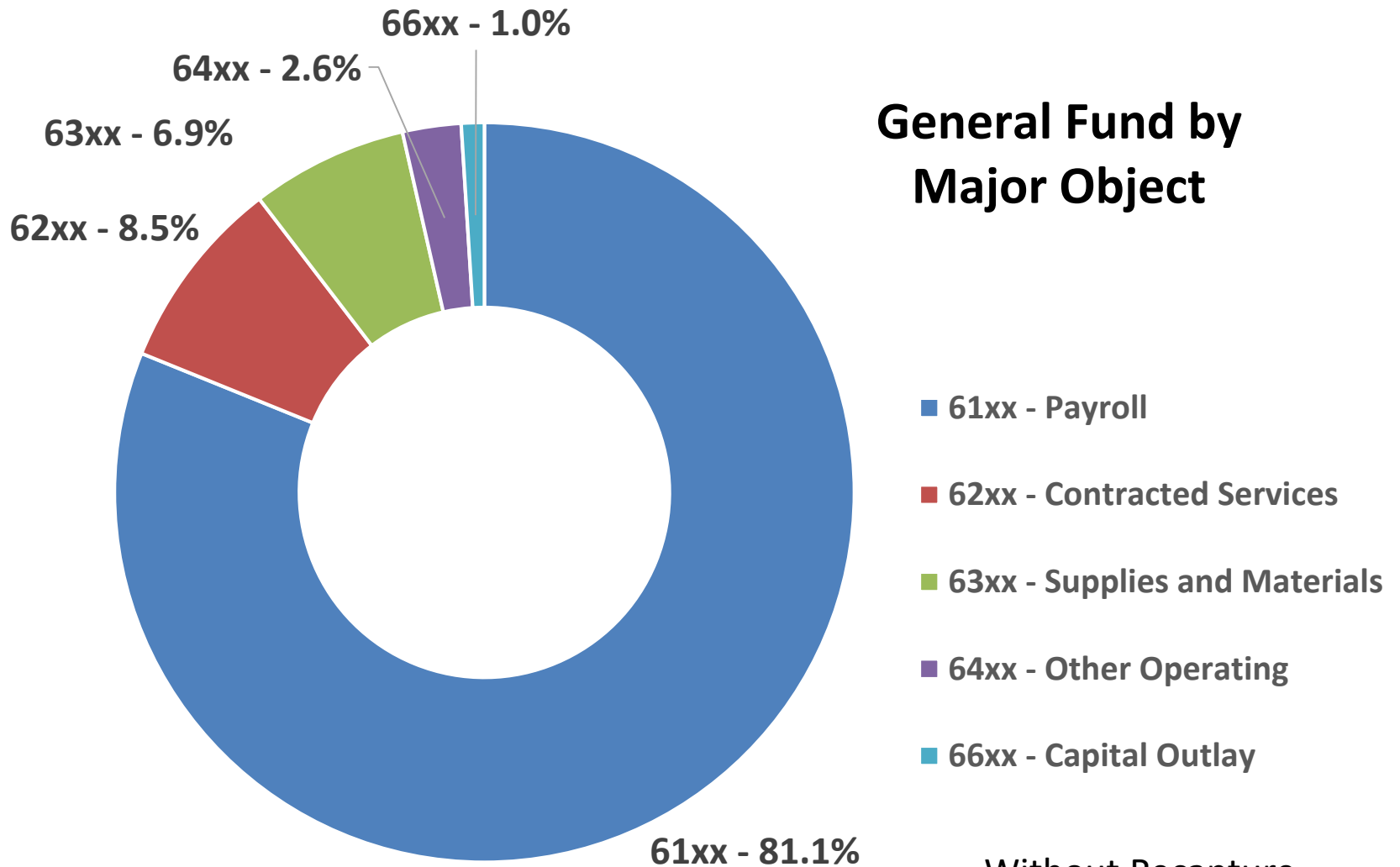
## Budget Additions

Expenditure	Cost (\$M)
Approved Compensation Increases	\$ 4.6
Staffing additions (before June)	\$ 2.9
Retention Supplement	\$ 4.4
Germinator (non-recurring)	\$ 1.4
Property Insurance	\$ 0.5
Custodial Equipment/Supplies	\$ 0.5
Additional SRO/Security Projects	\$ 0.4
Staffing Additions	\$ 0.1
<b>Total</b>	<b>\$14.8</b>

## 2020-21 Budget Program Intent Code (PIC) Analysis

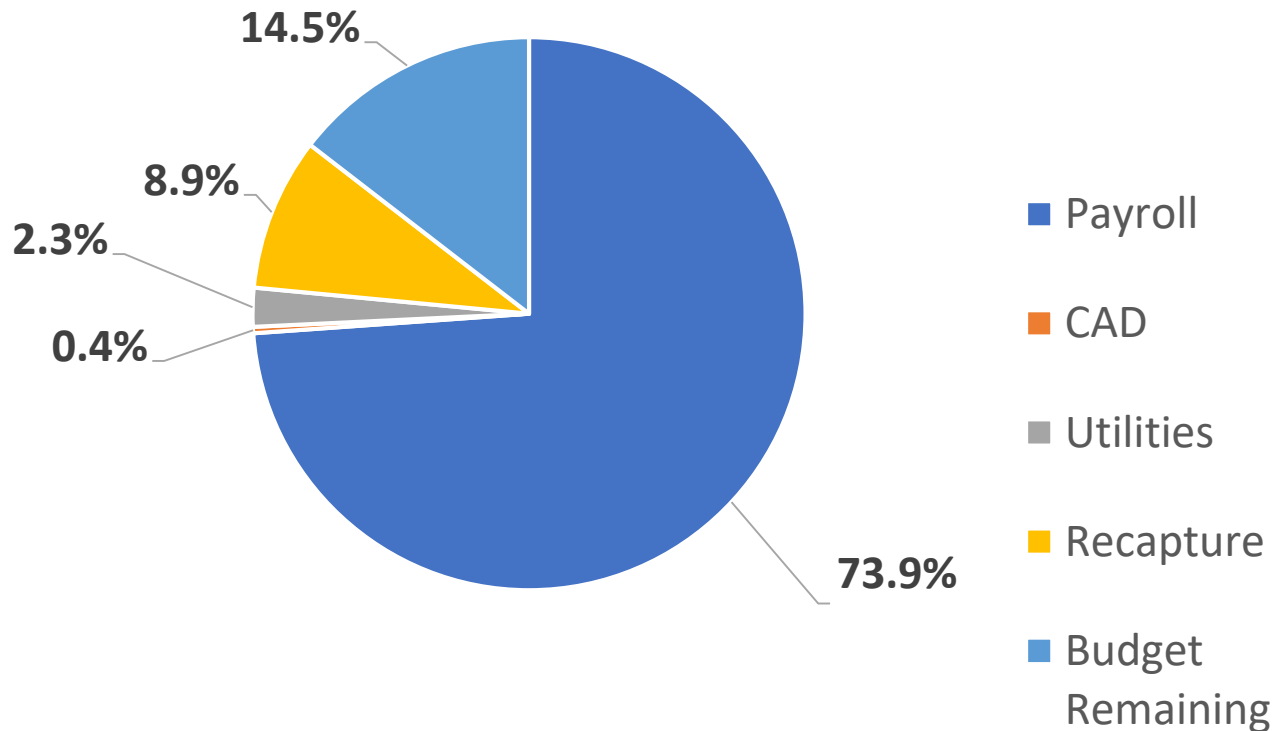
- State Allotments – Significant increases from HB3
  - PIC codes for special education, early education, CCMR, etc.
  - TEA has not waived the spending requirements but has stated they will evaluate as data is collected
  - If requirements not met, then make up in the following year
  - Adopted 2019-20 budgets for some PIC codes actually less than spending requirements
  - Finance will review 2019-20 expenditures for those that can be reclassified into PIC codes short on spending





Without Recapture

## 2020-21 Operating Budget After Payroll, Recapture, Utilities, & CAD Costs



## **New Fund Technology Internal Service Fund (ISF)**

- IT success and funding is essential for the District
- ISF structure helps with financial planning
- Initial transfer out from General Fund to Tech ISF in July for \$10M
- Additional transfer at end of the year

## BUDGET DEVELOPMENT



<b>General Fund</b>	<b>\$M</b>	<b>2018-19 Actual</b>	<b>2019-20 Current Budget</b>	<b>2019-20 Forecasted Actuals</b>	<b>2020-21 Proposed Budget</b>
Local Revenue		250.8	245.1	246.1	249.8
State Revenue		43.1	45.9	49.7	51.7
Federal Revenues		5.2	4.6	5.4	5.9
Total Revenue		299.2	295.6	301.2	307.3
Payroll Expenses		201.4	213.4	208.8	222.5
Other Expenses		35.8	51.7	43.7	50.8
Chapter 49 Recapture		19.4	22.8	20.2	26.9
TIF Payments		32.2	1.2	1.2	-
Transfer Out (In)		4.5	9.0	26.0	7.0
Total Expenditures		293.4	298.1	299.8	307.2
SURPLUS/(DEFICIT)		5.8	(2.5)	1.3	0.1
Beginning Fund Balance		100.3	106.1	106.1	107.4
Ending Fund Balance		106.1	103.6	107.4	107.5
Months of Fund Balance		4.3	4.2	4.3	4.2

# BUDGET DEVELOPMENT



## Student Nutrition \$M

	2018-19 Actual	2019-20 Adopted Budget	2019-20 Forecasted Actuals*	2020-21 Proposed Budget
Local Revenue	2.7	2.7	1.7	2.7
State Revenue	0.1	0.1	0.1	0.1
Federal Revenues	9.9	10.6	9.2	11.3
Total Revenue	12.7	13.3	10.9	14.0
Payroll Expenses	5.3	6.5	6.1	6.6
Other Expenses & Transfers	7.7	8.0	6.8	7.4
Total Expenditures	13.0	14.6	12.9	14.0
SURPLUS/DEFICIT	(0.3)	(1.3)	(2.0)	0.0
Beginning Fund Balance	3.9	3.7	3.7	1.6
Ending Fund Balance	3.7	2.4	1.6	1.6
Months of Fund Balance	3.4	2.0	1.5	1.4

\* Pay continued during shutdown

## Outstanding Debt (as of August 1, 2020)

Issue	Original Amount	Existing Amount	Interest Rates	Final Maturity	Call Date	Amount Callable
U/L Tax Sch. Bldg. Bonds, Series 2019	\$ 109,220,000	\$ 96,230,000	3.00% - 5.00%	2/15/2039	2/15/2028	\$ 42,870,000
U/L Tax Refunding Bonds, Series 2017	13,880,000	5,065,000	5.00%	2/15/2029	8/15/2027	1,645,000
U/L Tax Refunding Bonds, Series 2016	48,420,000	16,175,000	4.00% - 5.00%	2/15/2027	2/15/2026	1,225,000
U/L Tax Refunding Bonds, Series 2015A	23,495,000	11,100,000	2.00% - 5.00%	2/15/2032	2/15/2025	5,580,000
U/L Tax Refunding Bonds, Series 2015	23,655,000	18,680,000	3.50% - 5.00%	2/15/2031	2/15/2025	11,245,000
U/L Tax Sch. Bldg. Bonds, Series 2013A	41,250,000	17,190,000	3.50% - 5.00%	2/15/2033	2/15/2023	6,735,000
U/L Tax Refunding Bonds, Series 2013B	28,700,000	15,745,000	4.00% - 5.00%	2/15/2025	2/15/2023	14,080,000
U/L Tax Sch. Bldg. & Ref. Bonds, Series 2012	54,965,000	18,625,000	4.00% - 5.00%	2/15/2032	2/15/2022	14,070,000
<b>TOTAL</b>	<b>\$ 343,585,000</b>	<b>\$ 198,810,000</b>				<b>\$ 97,450,000</b>

**All of the District's debt is fixed rate which provides budget certainty**

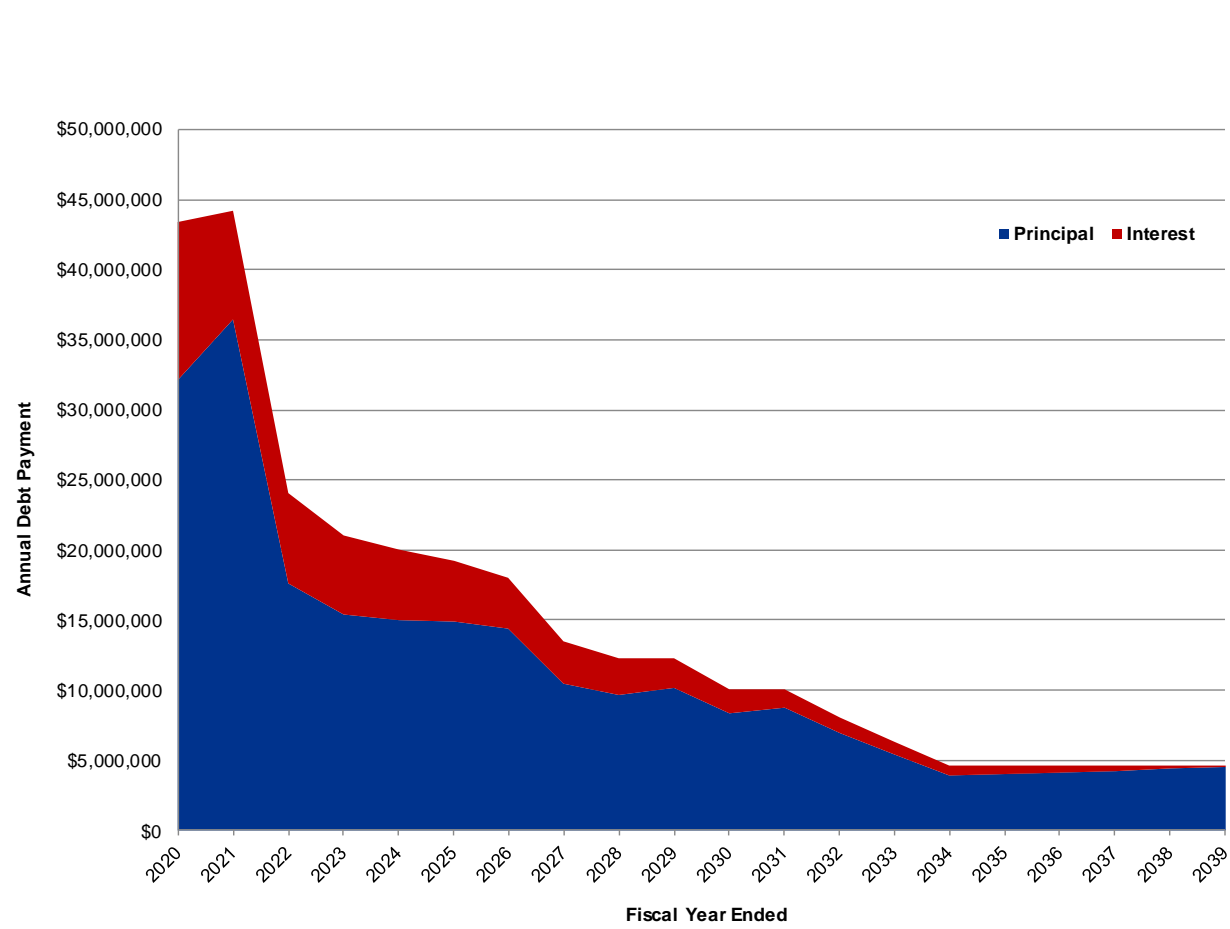
**49% of the District's debt is callable within 8 years which provides flexibility**

**Rapid retirement of debt with principal retirement as follows:**

- » **50.47% with in 5 years**
- » **76.31% with in 10 years**
- » **90.74% with in 15 years**
- » **100% with in 20 years**

**All debt is repaid by 2039**

# Tax Supported Debt Service Requirements



Fiscal Year Ending 8/31	Outstanding Tax Debt		
	Principal	Interest	Total
2020	\$ 32,170,000	\$ 11,206,228	\$ 43,376,228
2021	36,415,000	7,827,738	44,242,738
2022	17,590,000	6,516,288	24,106,288
2023	15,360,000	5,732,263	21,092,263
2024	15,035,000	5,009,838	20,044,838
2025	14,910,000	4,294,838	19,204,838
2026	14,435,000	3,597,675	18,032,675
2027	10,505,000	3,024,913	13,529,913
2028	9,700,000	2,586,738	12,286,738
2029	10,140,000	2,154,013	12,294,013
2030	8,350,000	1,741,463	10,091,463
2031	8,710,000	1,388,694	10,098,694
2032	6,910,000	1,094,755	8,004,755
2033	5,470,000	881,813	6,351,813
2034	3,895,000	732,888	4,627,888
2035	4,015,000	614,238	4,629,238
2036	4,140,000	489,325	4,629,325
2037	4,270,000	357,919	4,627,919
2038	4,405,000	219,619	4,624,619
2039	4,555,000	74,019	4,629,019
	<u>\$ 230,980,000</u>	<u>\$ 59,545,258</u>	<u>\$ 290,525,258</u>



## Bond Authorization

The District has the following authorized but unissued debt:

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Unissued Balance
School Buildings	11/6/2018	\$350,935,000	\$116,670,000	\$234,265,000

The District issued \$116.67M in April of 2019 and the original recent plan of finance calls for the issuance of \$117.565M in FY 2021 and \$116.7M in FY 2023

### Timing of next bond:

- Cash flow projections, available cash, TIF balances
- General fund reimbursement resolution
- Put off issuing debt as long as possible

The District's goal has been to implement the 2018 Bond Program without exceeding an I&S tax rate of \$0.20 per \$100 in value.

# BUDGET DEVELOPMENT



## Debt Service Fund

\$M

	2018-19 <u>Actuals</u>	2019-20 <u>Current Budget</u>	2019-20 <u>Forecasted Actuals</u>	2020-21 <u>Proposed Budget</u>
<b>REVENUE</b>				
Tax Revenues	41.9	45.4	45.5	45.8
State Hold Harmless	0.5	0.3	0.4	0.3
Interest/Other Income	0.4	0.2	0.2	0.1
<b>Total Revenue</b>	<b>42.7</b>	<b>45.9</b>	<b>46.0</b>	<b>46.1</b>
<b>EXPENDITURE</b>				
Principal	33.0	34.6	32.2	40.2
Interest	6.0	11.2	11.2	7.8
Fees	0.8	0.0	0.9	0.9
<b>Total Expenditures</b>	<b>39.8</b>	<b>45.9</b>	<b>44.3</b>	<b>48.9</b>
<b>EXCESS / (DEFICIT)</b>	<b>2.9</b>	<b>0.0</b>	<b>1.8</b>	<b>(2.8)</b>
<b>Beginning Fund Balance</b>	<b>10.0</b>	<b>12.8</b>	<b>12.8</b>	<b>14.6</b>
<b>Ending Fund Balance</b>	<b>12.8</b>	<b>12.8</b>	<b>14.6</b>	<b>11.8</b>
<b>Months of Fund Balance</b>	<b>3.9</b>	<b>3.3</b>	<b>4.0</b>	<b>2.9</b>

## Reasons for Concern

- May need to use fund balance to meet State spending requirements for programs
- State Funding includes \$23.6M of Formula Transition Grant – set to expire **after** 2023-24
- State Revenue picture is bleak for next biennium
- Local Collections will be impacted by appeals and drops in property values
- Debt service defeasance of \$3.8M required to maintain I&S rate of \$0.20

## Agenda Items – August 20th

- Public hearing with presentation
- Retention Supplement Resolution
- Fund Balance Designations
- 2019-20 Final Budget Amendment
- 2020-21 Budget Adoption
- Chapter 49 attendance credits
- Tax Rate Ordinance
- Financial and Investment Reports
- Additional Investment Pools
- COVID related purchases