



STAFFORD MUNICIPAL SCHOOL DISTRICT BUDGET BOOK FISCAL YEAR 2022-2023



Stafford MSD

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CITIZEN'S GUIDE TO OUR BUDGET

WHAT IS THE STAFFORD MSD BUDGET?

The SMSD budget is an annually revised document that describes the financial performance and the detailed financial allocations made to maintain campus and department operations for the proposed budget year.

WHAT IS THE PURPOSE OF A BUDGET?

The objective of the budget is to communicate the financial plan about operations to the public, the Stafford Board of Trustees, the Stafford City Council and all members of the organization for each budget year.

WHAT ARE PROPERTY TAXES?

Property taxes are funds that are levied, assessed, and collected annually (ad valorem taxes) for the further maintenance of schools in the district and to pay bonds issued by SMSD.

WHAT IS A TAX RATE?

It is the amount of dollars levied per \$100 of taxable value (after exemptions). The resulting amount is called Ad Valorem Taxes.

WHAT IS AD VALOREM TAX?

Ad Valorem Tax is the Property Tax (after exemptions) that is placed on all the property within the district's jurisdiction. The appraised value is determined by the Fort Bend County Appraisal District and the Harris County Appraisal District. SMSD has a maintenance and operations tax of \$.9139 by law without a Tax Ratification Election.

HOW ARE PROPERTY TAXES CALCULATED?

They are calculated by taking the taxable value (after exemptions) divided by 100 and multiplied by the tax rate:

Average Appraised Value	\$ 149,459
Less 20% Homestead Exemption	<u>29,892</u>
Less \$40,000 State Exemption	<u>40,000</u>
Total Taxable Value	\$ 79,567
SMSD Proposed Tax Rate	\$1.1433/per \$100 valuation

$$\frac{\$79,567}{\$100} = \$795.67 \times \$1.1433 = \$909.69 \text{ Total Property Tax Due Per Year}$$

WHAT IS THE EFFECT OF A ONE PENNY INCREASE IN TAXES FOR A RESIDENTIAL OWNER?

The effect is \$7.96 per year. $(\$795.67 \times \$1.1533) = \$917.65 \text{ minus } \$909.69 = \$7.96 \text{ per year}$

WHERE CAN I GET ADDITIONAL INFORMATION ABOUT STAFFORD DISTRICT BUDGET?

- SMSD Web Page: <http://www.staffordmsd.org>
- Contact by email: jamezcua@staffordmsd.org or gmartinez@staffordmsd.org
- Write:
Stafford Municipal School District
C/O Communications Office
1625 Staffordshire Road, Stafford, Texas 77477

INTRODUCTION



Stafford Municipal School District

Principal Officials

BOARD OF TRUSTEES

Trustee Name

Manuel Hinojosa, President
Christopher Caldwell, Vice President
Ash Hamirani, Secretary
Jacqueline Jean- Baptiste
Dawn Reichling
Patricia Soza Montelongo
Suzette Thompson

CITY COUNCIL

Council Member

Term Expires

Cecil Willis Jr., Mayor
Virginia Rosas
Xavier Herrera
Wen Guerra
Ken Mathew
Alice Chen
Don Jones

2023
2022
2023
2024
2023
2024
2022

ADMINISTRATIVE OFFICIALS

Name of Official

Position

Years at SMSD

Dr. Robert Bostic	Superintendent	8 yrs
Dr. Almus Kadir	Chief Academic Officer	3 yrs
Dr. Dawn Dubose	Chief of Schools	3 yrs
Jesus J. Amezcua, CPA, PhD RTSBA, CPFIM	Interim Chief Financial Officer	2 months

OFFICIAL ISSUING REPORT

Name of Official

Position

Years at SMSD

Jesus J. Amezcua, CPA, PhD, RTSBA, CPFIM	Interim Chief Financial Officer	2 months
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35+ years in school districts/local govt.

Stafford Municipal School District

Consultants and Advisors

AUDITORS

Whitley Penn LLP
3737 Buffalo Speedway Suite 1600
Houston, Texas
77098

BOND COUNSEL

Orrick Inc.
609 Main Street, Suite
40th Floor
Houston, Texas 77002

DEPOSITORY BANK

Frost National Bank
3531 South Main Street
Stafford, Texas 77477

FINANCIAL ADVISOR

RBC Capital Markets
1001 Fannin Street, Suite 1200
Houston, Texas 77002

GENERAL COUNSEL

KBS Law Group
3700 Buffalo
Speedway
Houston, Texas 77098



Robert Bostic, Ph.D.
Superintendent of Schools

Board of Trustees
Manuel Hinojosa
President

Christopher Caldwell
Vice President

Ash Hamirani
Secretary

Jacqueline Jean-Baptiste

Christopher Caldwell

Dawn Reichlin

Patrici Soza Montelongo

June 22, 2022

Members of the City Council
City of Stafford
1625 Staffordshire
Stafford, Texas 77477

Members of the Board of Trustees
Stafford Municipal School District
1625 Staffordshire
Stafford, Texas 77477

Dear Trustees:

We are pleased to present the Stafford Municipal School District's Annual Budget for fiscal year 2022-2023. This budget presents the district's finance and operations plan.

Introduction

In accordance with State requirements, we are presenting our projected budget to the Board of Trustees and to the City of Stafford community. We encourage you and our citizens to engage in positive dialogue in fine tuning our budget proposal for 2022-2023. Given the limited resources, our staff has developed a financial plan for the 2022-2023 General Fund, Debt Service Fund, and Food Service Fund Budgets. The development, review and consideration of the 2022-2023 budgets were completed with a detailed review of every revenue and expenditure item within the context of the department's mission, goals and financial policies. This document provides information on each of the fund budgets. In addition, we also provide information about our projected grants for 2022-2023, which we account as Special Revenue Funds.

The primary purpose of this document is to provide timely and useful information concerning the past, current, and projected financial status of the district, in order to facilitate financial decisions that support the educational goals of the school district. This budget's main focus is the education of Stafford MSD children and its instructional program with the fiscal resources available to the district. This budget addresses the essential needs of the district by directing resources to those areas that will assist our staff in carrying out the mission of SMSD.

With this budget, we are continuing to use a combination of site based budgeting and program budgeting. Budget allocations were made based on projected funding, and schools and departments were requested to prioritize their allocations based on their needs assessment. Furthermore, the district utilized program budgeting model to identify costs by function and program intent. The district also utilized its District and Campus Improvement Plan in the development of priorities and allocation for FY 2022-2023.

This budget document is the first step towards achieving these goals. It includes sound, prudent fiscal policies that will ensure the delivery of efficient and effective instructional programs. Stafford MSD is proposing a **balanced budget approach** for the General Fund, the Debt Service Fund and the Food Services Fund. Our financial plan and strategies are provided next in our report.

About Stafford MSD

Hidden between the metropolis of Houston and the growing East Fort Bend County, Stafford Municipal School District maintains its small-school environment while addressing educational needs of the 21st century. What began as a grassroots mission with 547 students has evolved into a mid-sized, 3A public school district with an enrollment over just 3,355.

The tree-lined complex is home to five campuses, addressing instructional needs of students from full-day Pre-Kindergarten through 12th grade. SMSD facilities are designed to allow all of its students to attend elementary and secondary schools without the disruption of ever changing school attendance zones. Dual Language programs in Vietnamese-English and Chinese-English are available at Kindergarten, 1st, and 2nd grades. All classrooms are equipped with instructional technology including computers, interactive white boards, and projectors.

The district prides itself in allowing students to participate in as many school activities and organizations as possible, provided that high academic standards are maintained. Students can participate in UIL academic competition in addition to UIL athletic programs including football, baseball, softball, basketball, volleyball, track, power-lifting, and cross-country. The district also is one of the very few 3A districts to offer boys and girls soccer and swimming. Stafford High School athletes have been named not only to all-district and all-state athletic teams but also to Academic All-State teams. The Mighty Spartan Band earned UIL Sweepstakes recognition for three consecutive years and Choir students earn places in area, region, and state choirs. The choral department also annually presents a full-scale musical production which includes students from kindergarten to 12th grade. FFA, JROTC, and DECA students have participated at state, national and international competitions.

As the only municipal school district in the state, the district partners with the City of Stafford by utilizing the city's municipal swimming pool and the Stafford Civic Center, both located within the district's complex. These facilities allow extension in curriculum by offering swimming lessons to second and fourth-graders and by allowing the performing arts a formal venue for student functions. The city also provides use of the Stafford Centre, a full-performance venue, for fine arts programs and banquets and underwrites the cost for all high school juniors to prepare for SAT college entrance exams through a comprehensive SAT Preparatory Course.

Mission Statement

The Stafford MSD mission statement is as follows:

The mission of SMSD, a diverse and visionary learning community, is to prepare each student to become a critical thinker and an ethical, productive citizen, in the pursuit of excellence through an unwavering commitment to provide multiple life and learning experiences led by dedicated professional using innovative teaching techniques in an engaging learning environment.

SMSD shared beliefs

- . . . everyone can learn.
- . . . morality and integrity are important.
- . . . everyone is worthy of respect.
- . . . applied knowledge creates opportunities.
- . . . everyone has the responsibility to use resources efficiently.
- . . . work ethic is a key to success.
- . . . optimism fuels momentum.
- . . . individuals have the potential to become leaders.
- . . . fun is a positive component for life-long learning.
- . . . creativity flourishes in a safe environment that promotes innovation and self-expression.
- . . . trust is vital.
- . . . understanding diversity strengthens a community.
- . . . service to others promotes community and builds character.
- . . . everyone deserves fair and equal access to education.

Seven Strategic Areas

1. We will develop and implement a program that will address college and career readiness.
2. We will implement innovative, engaging, nonconventional, instructional, and enrichment activities to achieve the mission and objectives.
3. We will energize and integrate all aspects of our diverse community, businesses and parents into full support and implementation of the mission and objectives.
4. We will identify, attract, train and retain highly-qualified professionals who expand their jobs beyond official boundaries.
5. We will supplement existing school funding by development and fostering a financially supportive relationship with the SMSD business community while using creative approaches to research alternative funding sources to accomplish the mission and objectives.
6. We will continuously adapt our infrastructure to create an engaging learning environment.
7. We will make technology a priority and make sure it is flexible and reflective of current trends.

Strategic planning objective

1. 100% of SMSD students participate annually in at least one community service project and complete a minimum of 30 hours required for graduation.
2. 100% of SMSD students engage in problem-based learning every semester.
3. 100% of SMSD students participate annually in history or science fairs.
4. 100% of SMSD students demonstrate ethical behavior.
5. 100% of SMSD students graduate college and/or career ready.

Budget Process and Significant Changes

Legal Requirements in Preparing the Budget

The Texas Education Code requires that a local education agency prepare a budget of anticipated expenditures and revenues on or before August 20. The Board is required to adopt a budget before August 31. The budget must be itemized in detail according to classification (object) and purpose of expenditure (function) and be prepared according to General Accepted Accounting Principles.

The budget must be legally adopted before the adoption of the tax rate. The president of the Board of Trustees must call a public meeting of the Board of Trustees giving ten days public notice in a newspaper for the adoption of the budget. Any taxpayer in the District may be present and participate in the meeting. The budget must be adopted by the Board of Trustees, inclusive of budget amendments no later than August 31.

Budget Development Process

The budget development process comprises three stages: planning, preparation, and evaluation. The first phase, planning, involves defining the mission, goals, and objectives of campuses, divisions, and the District.

Once these plans and programs have been established, the preparation phase of budgeting begins by allocating resources to support them. During this phase, individual, as well as group training workshops, were held with principals and department directors to guide them in developing their budgets. Statistics, trends and budget to actual data have been utilized to make accurate projections and decisions for the district. The Human Resources Department played an important role assisting the Business Office in the budget process as they provided input in the development of compensation plans, stipend plans, and salary budgets utilizing established staffing guidelines.

Evaluation is the last step of the district's budget cycle, in which information is compiled and analyzed to assess the performance of each individual campus and department, as well as the district as a whole. This evaluation is carried out during the external audit process and the strategic planning process annual update.

The budgeting process for Stafford MSD was initiated on May 9, 2022 meeting through a joint meeting with SMSD Board and the Stafford City Council. The purpose of the joint meeting was to begin working very diligently with the administration to ensure that all financial resources are allocated effectively. As required by State law, a public hearing on the budget and tax rate will be held on August 22, 2022 at 7:00 P.M. in the Stafford Civic Center. Notice will be provided as required by Section 44.003 of the Texas Education Code. In addition, the District will concurrently post a summary of the proposed budgets on the SMSD website as required by Section 44.0041 of the Texas Education Code

The following calendar was scheduled and followed to review financial data over an eight month period prior to adoption of the budget by the City Council and the Stafford MSD Board of Trustees.

2022-2023 Budget Workshop Calendar – Joint Body

Monday June 8, 2022	Budget Workshop – first meeting with the Board to discuss budget projections and goals
Monday, June 13, 2022	Budget Meeting – second meeting with the Board to discuss budget projections and salary increases
Wednesday, June 22, 2022	Budget Workshop – third meeting with the Board and Council to discuss detailed budget and personnel projections
Monday August 8, 2022	Budget Workshop – third meeting with the Board and Council to discuss detailed budget and personnel projections
Friday August 26, 2022	Special Meeting – public hearing on budgets followed by adopting budgets in accordance with TEC 11.303
Friday August 26, 2022	Special Meeting – public hearing on tax rates followed by adopting tax rate in accordance with TEC 11.303

CITY OF STAFFORD CITY COUNCIL



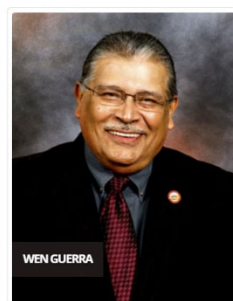
CECIL WILLIS, JR.
Mayor
Term Expires: May 2023



VIRGINIA ROSAS
Council Member - Position #3
Term Expires: May 2022



XAVIER HERRERA
Council Member - Position #5
Term Expires: May 2023



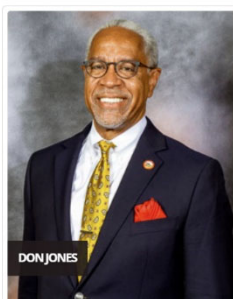
WEN GUERRA
Council Member - Position #2
Term Expires: May 2024



KEN MATHEW
Mayor Pro Tem
Council Member - Position #6
Term Expires: May 2023



ALICE C. CHEN
Council Member - Position #1
Term Expires: May 2024



DON JONES
Council Member - Position #4
Term Expires: May 2022

STAFFORD MSD BOARD OF TRUSTEES



Manuel Hinojosa

Board President, Position 2



Christopher Caldwell

Board Vice President, Position 6



Ash Hamirani

Board Secretary, Position 3



Jacqueline Jean-Baptiste

Board Member, Position 7



Dawn Reichling

Board Member, Position 1



Patricia Soza-Montelongo

Board Member, Position 5



Suzette Thompson

Board Member, Position 4

Budget Document Purpose and Basis for Presentation

This document, as a whole and the year-end Comprehensive Annual Financial Report (CAFR) are the primary vehicles used to present the financial plan and the results of operations of the District. This document was prepared in the format necessary to meet the requirements of the Association of School Business Officials (ASBO) *Meritorious Budget Award* program and the Government Finance Officers Association (GFOA) *Distinguished Budget Presentation Award* program. In order to receive these awards, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. These awards are for a period of only one year.

ASBO and GFOA presented their Budget Presentation Awards to Stafford Municipal School District for its 2009/2010, 2010/2011, 2011/2012 and 2012/2013. For Fiscal year 2013-2014, the GFOA also awarded the Budget Document to Stafford MSD.

However, the primary purpose of this document is to provide timely and useful information concerning the past, current, and projected financial status of the Stafford Municipal School District in order to facilitate financial decisions.

Budget Document Sections

The District's budget is organized into four major sections: *Introductory*, *Organizational*, *Financial*, and *Informational*. All sections include sub-sections that assist the reader in understanding all areas that drive the annual budget of Stafford

Municipal School District.

The ***Introductory Section*** provides a complete overview of the entire budget document. The Introductory Section is the budget in narrative form (charts, tables and graphs are used to assist the reader in this section as well as all other sections and sub-sections). This section includes the following sub-section: *introductory information*.

The ***Organizational Section*** describes SMSD – who we are, where we are located, how our organization is structured, how our financial system functions and the budgets thereto, and the significant areas that impact the finances of the District. This section informs the reader on the district’s budget policies and development process, long range goals, and the budget calendars used to adequately prepare and review the budget document. This section of the budget document includes the following sub-sections: *district information, enrollment information, academic information, accounting information, and significant budget and financial information*.

The ***Financial Section*** is typically what we consider to be “the budget.” This section is organized in a hierarchal order starting with the general fund. Charts, tables and graphs explain significant budget data. Included in this section are schedules for the General Fund, School Nutrition Fund and Debt Service Fund. Schedules are also provided that focus on key financial trends and the direct impact on the District’s fund balance. This section includes the following sub-sections: *budget information, general fund information, food service information, debt service information, construction fund information, grant information, and financial accountability information*.

The ***Informational Section*** is the final section of the budget document. This section is full of explanatory information such as account code explanations, terms often used in school finance, and other district-related information. This final section includes the following sub-sections: *performance measures section, personnel information, department information, tax information, and additional information*.

Amending the Budget

A budget is an estimate of planned expenditures and expected revenues. Many changes can take place between estimating for the proposed budget in March and April and the start of the new fiscal year in September. Program and operational changes will mean budget changes. These changes to the budget are made in the form of budget amendments. Any increase or decrease in the budget requires board approval. Changes to revenues also require budget adjustments before the end of the year. *Changes to expenditure between budget functions required board action*. All other changes are submitted by campuses and departments to the Business Office for review and processing.

Significant Changes

No significant changes have been made to the budget process or policies related thereto. The budget development process for the 2022-2023 began to see signs from an economic recovery. Generally, school districts expect an increase in tax revenues due to an increase in tax values. Even with the anticipation of increased revenues,

appropriations were carefully reviewed and increased by 10.6% from the adopted budget. Preliminary estimates from the Fort Bend and Harris County Appraisal Districts anticipate a 15.1% increase in property values. Stafford MSD is projecting that the final valued will be approximately only 7% increase. This budget includes a \$1,300 salary increase for teachers and 2% for all other staff. The District has also opted to fund the after-school program from local resources. A balanced budget was achieved with these necessary changes.

Major Goals and Objectives of Budget Process

The following major goals and objectives have driven the budget process so that the focus is curriculum:

- To adopt a budget that is both consistent with SMSD's mission and strategic plan, achieving financial integrity and national recognition for excellence in academics by maximizing benefits from resources available.
- Provide resources necessary to support the SMSD curriculum and SMSD activities;
- Provide a compensation package that recruits, attracts and retains highly qualified staff;
- Provide resources necessary to reach the goals established in all campus improvement plans as well as the District improvement plan; and
- Provide programs and opportunities for all students to exceed their educational goals.

Budget Highlights

Summary of Proposed Budgets

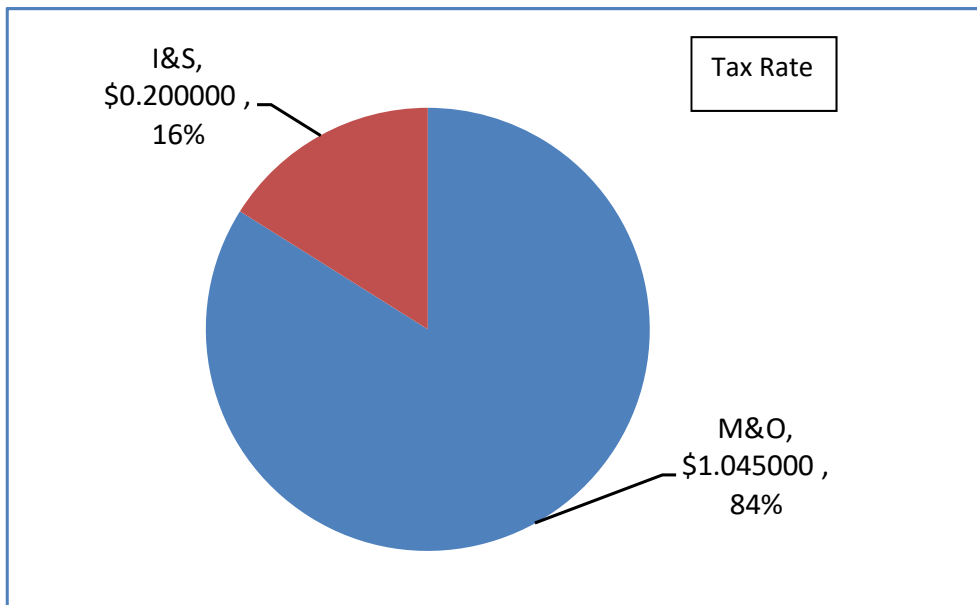
The District utilizes ***Governmental, Proprietary, and Fiduciary fund types***. The District's Governmental fund type is comprised of General Funds, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Proprietary Fund includes the Internal Service Fund. The Fiduciary fund type includes Agency Funds. It is important to note that the Department approves the annual budgets for the General Fund, Internal Service Fund and Debt Service Funds. Agency Funds and Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year end and are not subject to Board approval; the information presented on these funds is for information purposes only.

The annually adopted budget includes the general, food service, and debt service funds (which also serve as the highest area of public interest). The annual budget serves as the foundation for the District's financial planning and control. SMSD maintains budgetary controls throughout all of its financial systems in order to ensure compliance with legal provisions embodied in the appropriations approved by the Board and City Council.

The following table presents a comparison of the proposed expenditures for General Funds with a comparison of the estimated expenditures for fiscal year 2022-2023. The budget prepared for governance approval is as follows:

	General Fund	Food Service Fund	Debt Service Fund	Total Annual Budget
Estimated Revenues	\$ 37,245,128	\$ 2,253,549	\$ 7,960,489	\$ 47,459,166
Appropriations	\$ 38,298,390	\$ 2,253,549	\$ 7,686,671	\$ 48,238,610
Excess of Estimated Revenue over Expenditures	\$ (1,053,262)	\$ 0.30	\$ 273,818	\$ (779,443)

The construction fund and grant entitlements have been included in this budget document for informational purposes only – not for formal approval. The total **proposed tax rate** for 2022/23 is **\$1.1433** per \$100 of valuation.



General Fund Summary

The general fund serves as the district’s primary operating fund. It accounts for all financial resources of the district except those required to be accounted for in another fund.

The tax rate for the general fund is currently **\$1.1698** which is the maximum tax rate allowable for SMSD without calling for a tax ratification election (TRE). District administration has plans to request the calling of a TRE for FY 2023/2024. Under current tax code, 17 additional pennies are available; The District is currently using 5 pennies. Only 3 additional pennies would be free of recapture – the other 9 cents would result in 80% of new collections staying in Stafford and remaining 20% going to the State for redistribution.

Stafford MSD is considered a “property wealthy” school district for the 2022/2023 school year. The district has exceeded the property wealth level set by the State each and every year since the start of “Robin Hood” or “***Chapter 41***” and the 87th Legislative session did not change this status for the upcoming biennium.

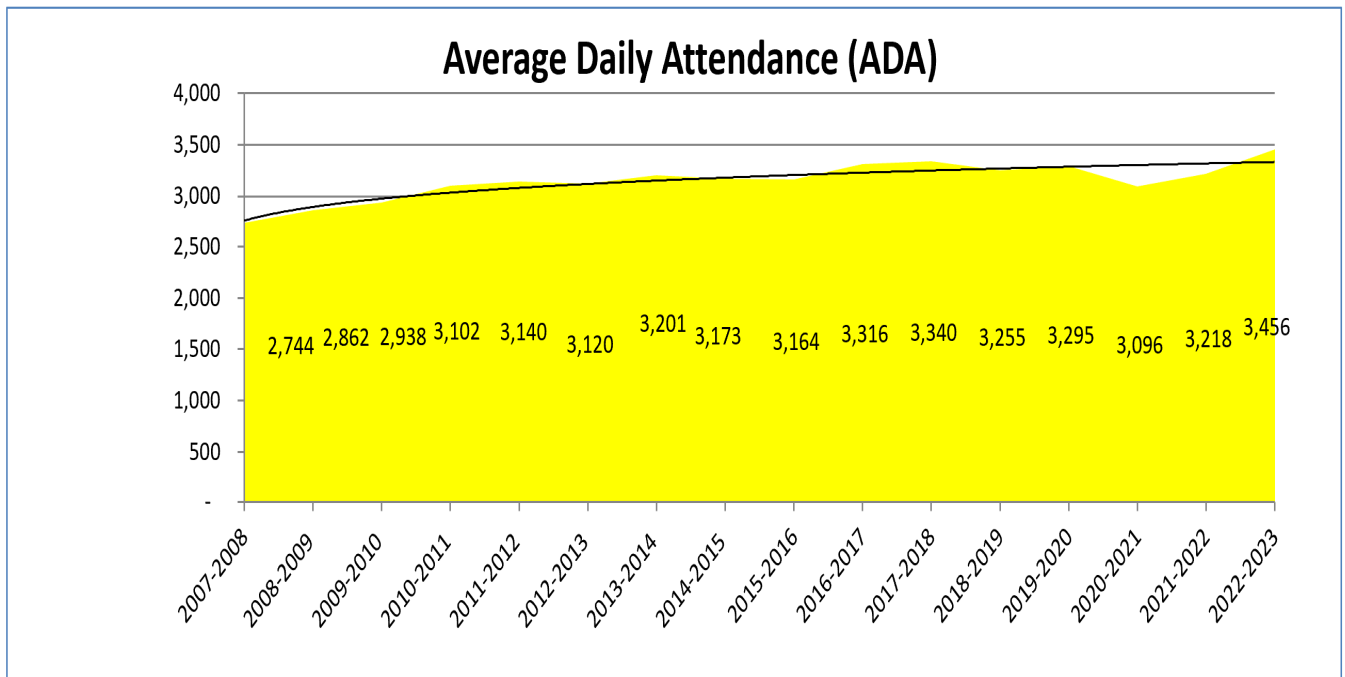
For fiscal year 2022-2023, there were a number of changes to the state funding elements. The formula elements that have been revised include:

- ✓ an increased basic allotment (from \$5,040 in 2014–2015 to \$6,160 in 2022–2023),
- ✓ an increased equalized wealth level in Tier I (from \$504,000 in 2014–2015 to \$616,000 in 2022–2023),
- ✓ an increased guaranteed yield for the first level of Tier II from \$61.86 to \$98.56.

A 20% local homestead exemption (LHE) is currently offered to the taxpayers. The SMSD Board of Trustees approved the continuation of this tax benefit for the Stafford homeowners for the 2022 tax year. The state-wide election approved an additional increase to the Homestead exemption from \$25,000 to \$40,000 for tax year 2022. The increase in this exemption will reduce local taxes and the State of Texas will provide additional State Aid to replace lost local revenues.

Cash reserves are limited in the fall based on prior trends; however, it is projected that a Tax Anticipation Note will be necessary to cover operating expenditures. The projected amount is expected to be \$9,000,000 for the months of November to January.

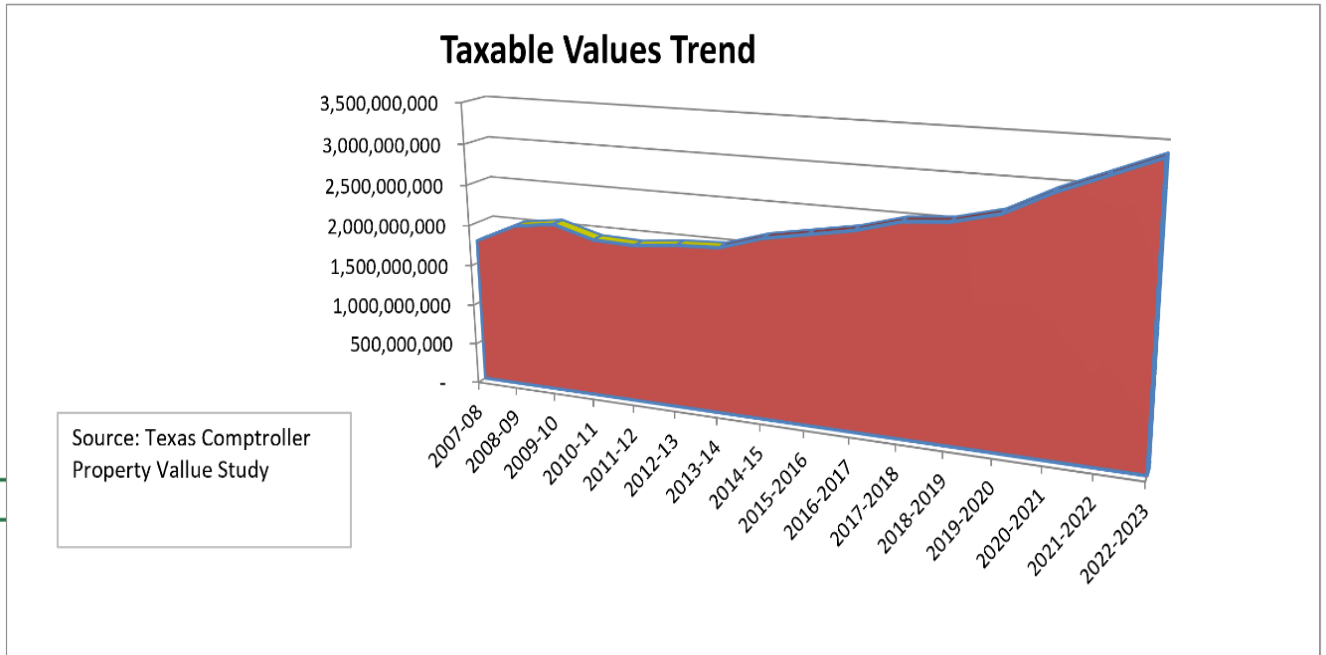
Taxable values from the Fort Bend CAD are in-line with forecasts made during the Vision and Planning (V&P) process. It was anticipated that the final 2022 taxable values will increase from 2021. While taxable values, under a hold harmless school finance system, have very little positive or negative net impact on SMSD, they impact the debt service tax rate.



The district's enrollment has remained constant over the last school year while taxable values continued to climb (a major contributing factor to Chapter 41 status) up until the 2010 tax year. In 2011 through 2021, there were slight increases in taxable values. For 2022, the values have increased and are projected at **\$3,384,990,821** or 10.9% increase from 2021 tax values. The charts below identify these trends

accordingly. For FY 2022-2023, a projection of 3,456 ADA was used to calculate the state funding.

For fiscal year 2022-2023 (tax year 2022), values of \$3,384,990,821 were used to calculate the local effort for the maintenance and operations tax efforts in the funding template. It was also used to calculate the necessary interest and sinking tax rate to meet the debt service obligations.



General Fund

Salaries and benefits account for approximately 77% of the general fund operating budget. The Board of Trustees has approved salary schedules and benefits offered for 2022/23, and the budget included a \$1,300 increase for teachers and 2% salary increase for all employees estimated cost is \$564,948.

The district administration has been closely reviewing all contract renewals, non-renewals, and terminations since February. Positions that have been vacated due to an employment action (resignation, retirement, non-renewal, or termination) have been analyzed by district administration, using appropriate data (enrollment forecasts, staffing ratios, etc.), to see if attrition can be used for the position. Final staffing decisions have been made by the Superintendent so master schedules could be prepared so campuses/departments can prepare for the start of the 2022/2023 school year.

SMSD has prepared the budget for the Board and City Council to consider with the following key assumptions as follows:

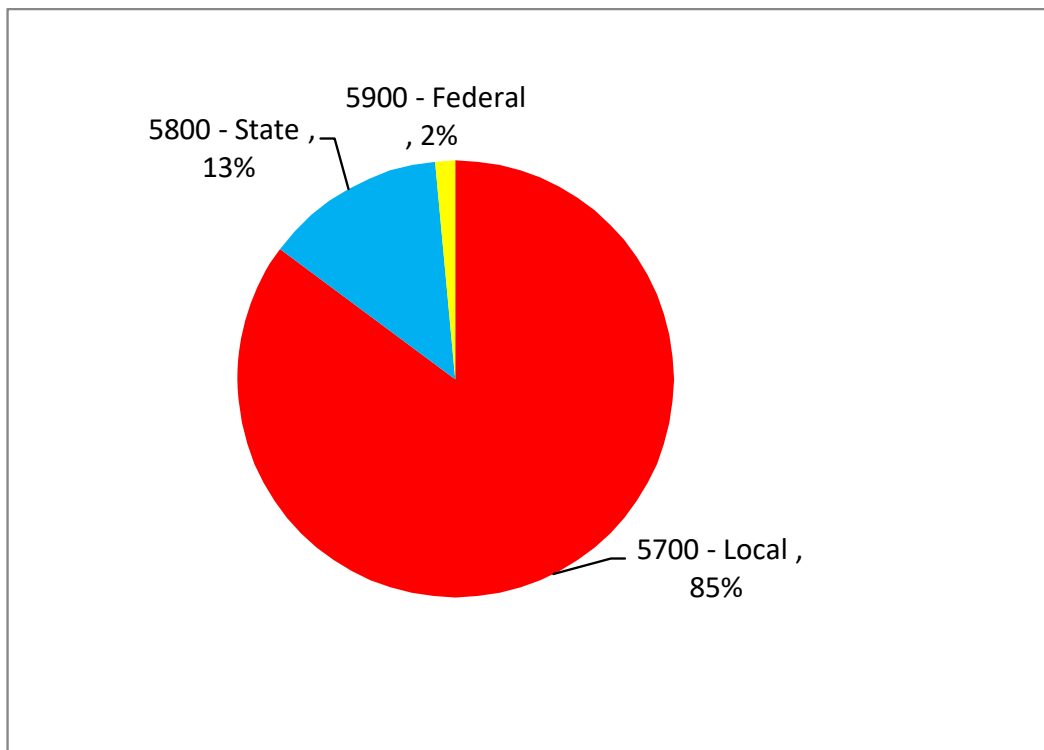
- Be balanced with access to reserve funds if possible
- Retain the 20% local homestead exemption
- Address all federal and state mandates

General Fund (continued)

- Meet SMSD's capacity and growth needs
- Manage the District's resources efficiently and effectively
- Maintain an adequate fund balance

Local property taxes continue to be the most significant revenue source for the District. The graph below shows that nearly 85 cents of every dollar collected at the District is from the local property taxpayers.

Revenue Sources



The pro-active review of budgeted items and the increase in property values has allowed the district administration to continue funding the following items in the budget:

- Implement a balance budget approach
- Instructional Focus
- Low student to teacher ratio
- C-Scope curriculum
- Dual Language Program
- Reading Recovery Program
- Quest Academy
- STEM Academy
- Multiple career pathways
- Wide selection of extra-curricular activities
- Longevity pay program

The general fund budget currently includes the following financial highlights:

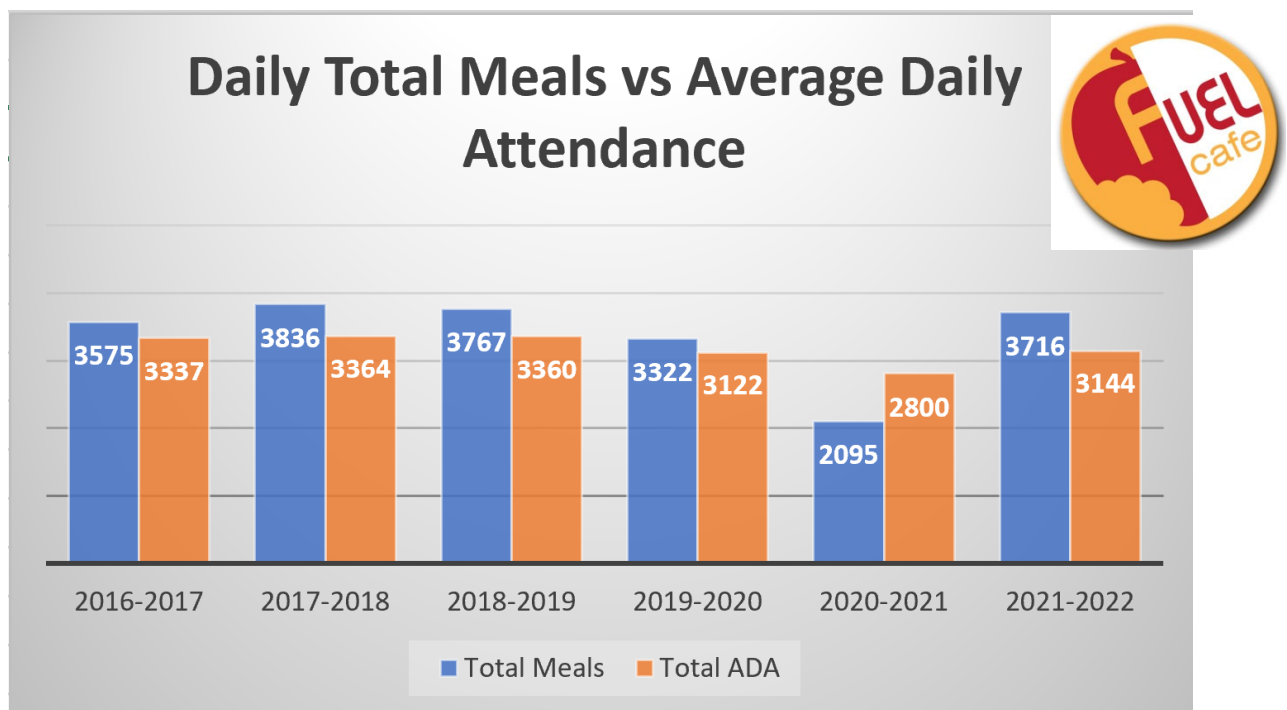
✓ Total Estimated Revenues	\$37,245,148
✓ Total Appropriations	\$38,398,390
✓ Excess Est. Revenues over ✓ Appropriations	\$ 1,053,262
✓ Starting Teacher Salary	\$58,465
✓ M&O Tax Rate per \$100 valuation	\$.9074
✓ Local Homestead	20%

Food Service Fund Summary

Stafford Municipal School District cafeteria operations continue to demonstrate financial self-sufficiency through fiscal year 2021-2022. The food service fund has remained self-sufficient for several years and is projected to remain revenue neutral for 2022-2023.

The mission of the Stafford Municipal School District Child Nutrition Program and Fuel Café is to set the stage for the learning environment by encouraging student participation in the program and fostering an environment where students want to make healthy food and lifestyle choices. The strategy to achieve this goal was the development of Fuel Café which has been implemented at all five district cafeterias.

The chart below depicts an identifiable trend when comparing ADA levels versus the meals served by school year.

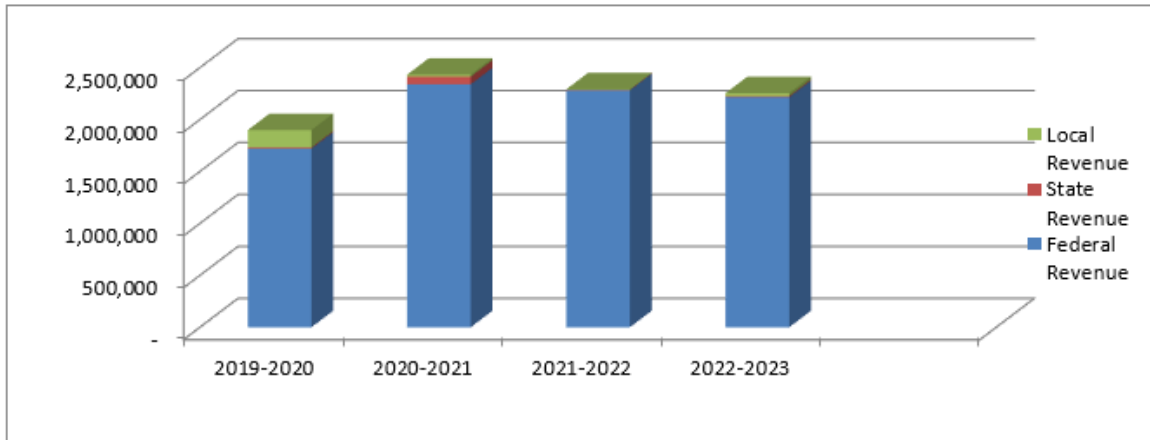


The child nutrition budget was prepared based on static enrollment and based on federal lunch and breakfast reimbursement. Students are offered a free lunch under the comprehensive lunch program.

Assumptions for expenditures includes a 2% pay increase for all staff , a 5 % increase in food cost and indirect cost allocation of 4.86%

Food Service Fund Summary (continued)

The trend for revenues by major category is as follows:



Efficient management of the food service program will allow it to continue funding the following initiatives and/or district directives:

- Manager Academy at ESC Region 4
- Staff development – Employee certification program
- Attendance based employee incentive program
- \$100,000 indirect cost allocation
- Outsourcing of maintenance related services

The following summary is based upon the factors stated above:

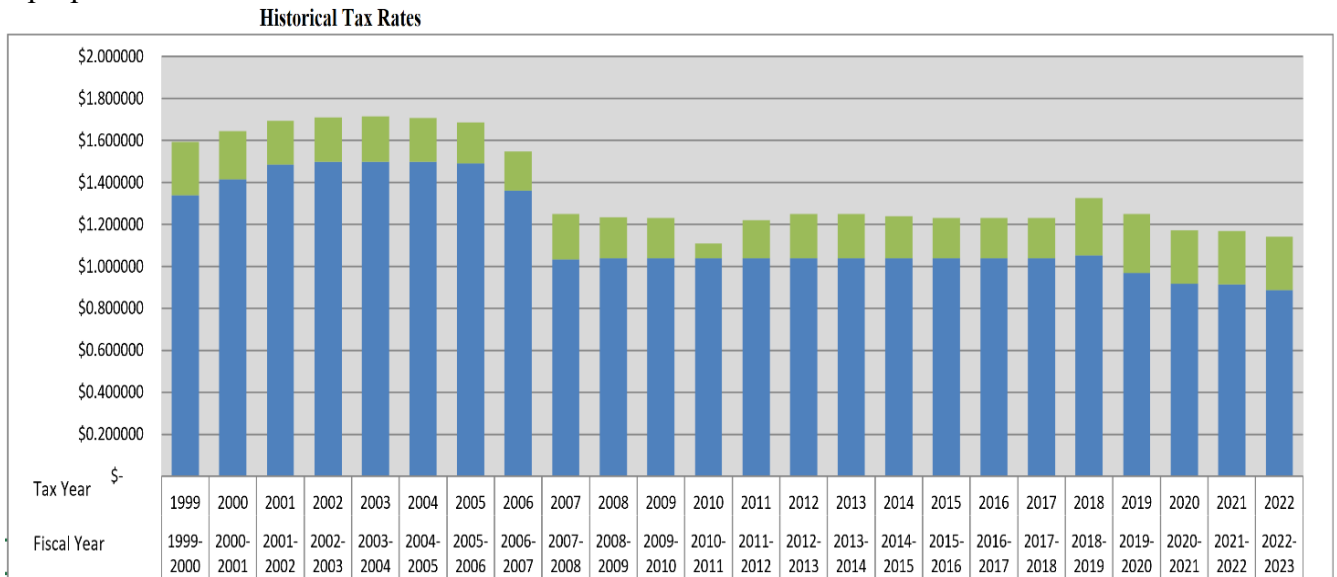
✓ Total Estimated Revenues	\$2,253,549
✓ Total Appropriations	\$2,253,549
✓ Excess Est. Revenues over ✓ Appropriations	\$ -0-
✓ Avg. number of meals served	3,716

Debt Service Fund Summary

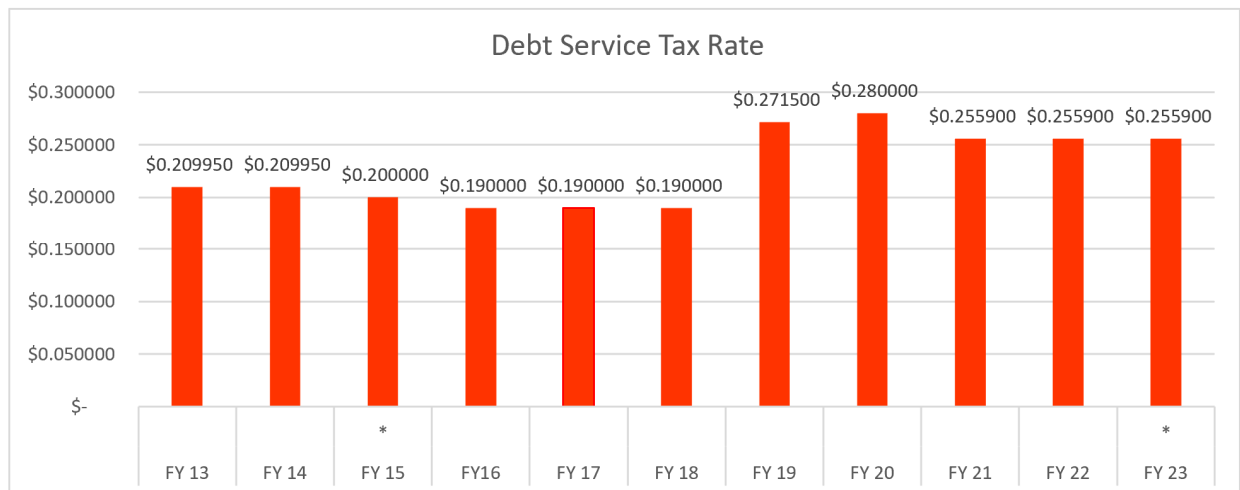
The debt service fund (commonly referred to as the ‘Interest and Sinking Fund’ or the ‘I&S fund’) is almost entirely funded by local property tax collections

The Vision and Planning Committee met for over a year and recently all four propositions on the May 14, 2011 ballot were approved by the Stafford voters. The four propositions total \$49.9 million and bonds were issued. The Debt Service rate is set to meet the bond obligations. For fiscal year 2022-2023, the debt service rate is projected to be lower by one cent due to the increase in property values. The recommended tax rate is \$0.2359 and is based upon the repayment bond schedule provided by our financial advisor.

The graph below identifies the adopted tax rates from 1999-2000 to 2022-2023 and proposed tax rate for 2022-2023.



Below are the historical Interest and sinking tax rates:

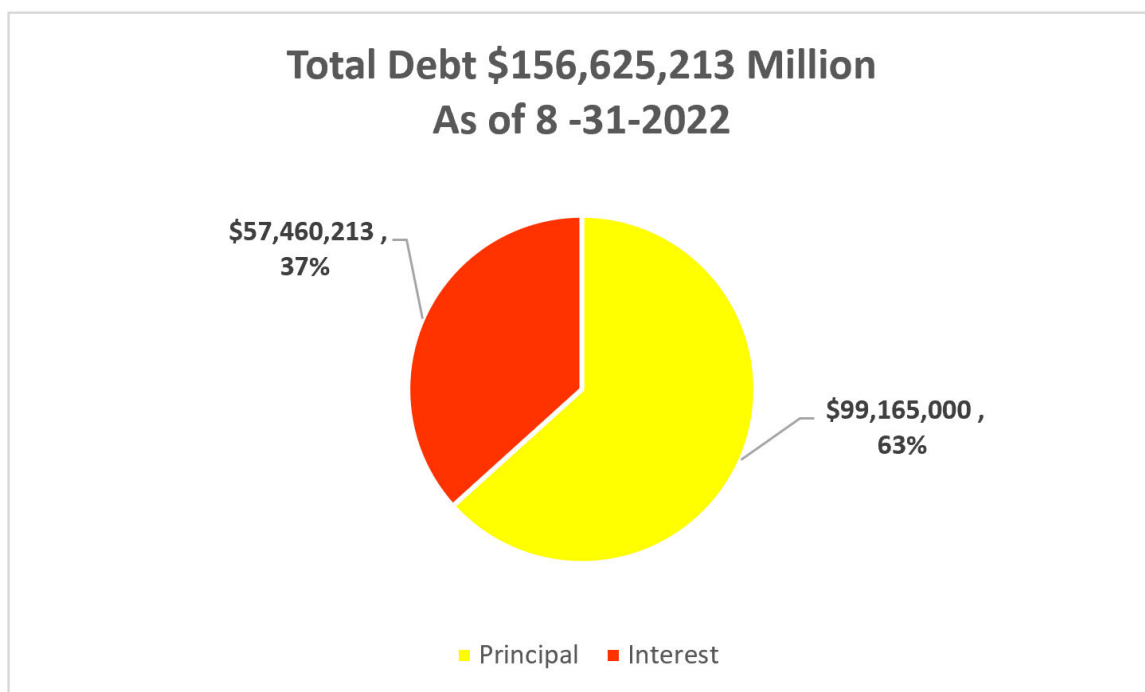


The district is currently forecasting that appraised values will increase 2% per year for the next five years after 2022. The three-bond series that are outstanding at the end of the current fiscal year 2022, are Series 2011, 2014, 2016A and 2016B, 2018, 2019A and 2019. The total outstanding debt (including interest) as of 8-31-2022 is **\$178,009,769**.

The total amount of principal and interest owed on all Series is identified below:

**Stafford Municipal School District
Outstanding Unlimited Tax Debt Service by Series**

<u>FYE</u>	<u>Unlimited Tax Schhse Bonds, Series 2011</u>	<u>Unlimited Tax Ref Bonds, Series 2014</u>	<u>Unlimited Tax Ref Bonds, Series 2016A</u>	<u>Unlimited Tax Ref Bonds, Series 2016B</u>	<u>Unlimited Tax School Bldg Bonds, Series 2018</u>	<u>Unlimited Tax School Bldg Bonds, Series 2019A</u>	<u>Unlimited Tax Ref Bonds, Taxable Series 2019B</u>	<u>Total Annual Debt Service</u>
2020	\$ 1,135,500.00	\$ 852,000.00	\$ 383,050.00	\$ 220,800.00	\$ 2,943,700.00	\$ 539,133.33	\$ 1,056,670.13	\$ 7,130,853.46
2021	1,134,000.00	851,450.00	381,450.00	220,800.00	2,379,700.00	726,200.00	1,435,476.40	7,129,076.40
2022		855,300.00	384,750.00	220,800.00	2,590,100.00	543,200.00	2,530,476.40	7,124,626.40
2023		858,400.00	387,850.00	220,800.00	2,518,900.00	618,450.00	2,520,726.40	7,125,126.40
2024		860,750.00	387,200.00	220,800.00	2,519,350.00	489,450.00	2,478,726.40	6,956,276.40
2025		862,350.00	386,250.00	220,800.00	2,524,350.00	486,200.00	2,475,976.40	6,955,926.40
2026		863,200.00		385,800.00	2,588,350.00	487,700.00	2,630,476.40	6,955,526.40
2027				1,929,200.00	3,127,850.00	488,700.00	1,234,226.40	6,779,976.40
2028				1,930,600.00	3,127,450.00	489,200.00	1,229,226.40	6,776,476.40
2029				1,929,200.00	3,126,700.00	489,200.00	1,224,226.40	6,769,326.40
2030					3,067,950.00	488,700.00	3,054,226.40	6,610,876.40
2031					3,063,950.00	487,700.00	3,052,476.40	6,604,126.40
2032					3,070,350.00	486,200.00	3,050,976.40	6,607,526.40
2033					3,064,350.00	486,600.00	3,054,476.40	6,605,426.40
2034					3,061,350.00	486,600.00	3,057,476.40	6,605,426.40
2035					3,066,150.00	486,200.00	3,049,726.40	6,602,076.40
2036					3,063,350.00	485,400.00	3,053,705.80	6,602,455.80
2037					3,066,850.00	484,200.00	3,055,218.00	6,606,268.00
2038					2,171,100.00	487,600.00	3,054,263.00	5,712,963.00
2039					2,170,850.00	485,400.00	3,050,840.80	5,707,090.80
2040					2,173,350.00	487,800.00	3,049,951.40	5,711,101.40
2041					2,168,350.00	484,600.00	3,056,440.60	5,709,390.60
2042					4,686,100.00	486,000.00		5,172,100.00
2043					4,685,350.00	486,800.00		5,172,150.00
2044					4,685,600.00	487,000.00		5,172,600.00
2045					4,686,200.00	486,600.00		5,172,800.00
2046					4,685,400.00	485,600.00		5,171,000.00
2047					4,688,000.00	484,000.00		5,172,000.00
2048					613,600.00	486,800.00		1,100,400.00
2049						488,800.00		488,800.00
Totals	\$ 2,269,500.00	\$ 6,003,450.00	\$ 2,310,550.00	\$ 7,499,600.00	\$ 89,384,650.00	\$ 15,086,033.33	\$ 55,455,985.73	\$ 178,009,769.06



The budget includes the following financial highlights:

✓ Total Estimated Revenues	\$7,989,489
✓ Total Appropriations	\$7,686,671
✓ Excess Est. Revenues over Appropriations	\$ 302,818
✓ I&S Tax Rate per \$100 valuation	\$.2359
✓ Local Homestead	20%

Aggregate Budget Summary

The following table has been prepared to compare the budget for fiscal year 2022/2023 to the un-audited financial statements for fiscal year 2021/2022:

Account Name	General Fund		Food Service Fund		Debt Service Fund	
	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023
Revenues:						
Local Revenues	\$ 27,964,955	\$ 31,710,604	\$ 28,500	\$ 28,500	\$ 7,647,018	\$ 7,960,489
State Revenues	4,687,592	4,979,524	10,000	10,000	39,000	-
Federal Revenues	1,478,000	555,000	2,099,285	2,215,049	-	29,000
Total Revenues	\$ 34,130,547	\$ 37,245,128	\$ 2,137,785	\$ 2,253,549	\$ 7,686,018	\$ 7,989,489
Expenses:						
11 Instruction	\$ 20,526,290	\$ 21,825,820			\$ -	\$ -
12 Library and Media	283,259	373,259			-	-
13 Staff Development	228,172	378,172			-	-
21 Instruction Leadership	1,184,708	1,209,097			-	-
23 School Leadership	2,162,152	2,184,542			-	-
31 Counseling Services	876,025	876,025			-	-
33 Nursing Services	294,036	294,036			-	-
34 Student Transportation	900,606	1,086,740			-	-
35 Food Services	-	-	2,067,870	2,153,549	-	-
36 Extra-curricular	1,276,765	1,420,105			-	-
41 Administration	2,142,644	2,367,906			-	-
51 Plant Maintenance	3,027,096	4,196,472	69,915	100,000	-	-
52 Security Services	525,000	625,822			-	-
53 Technology Services	793,794	963,794	-	-	-	-
61 Community Development	85,000	161,600	-	-	-	-
71 Debt Service		-	-	-	7,686,171	7,686,671
81 Capital Outlay	-	-	-	-	-	-
91 Chapter 41 Costs	-	-	-	-	-	-
93 Deaf Education Coop	35,000	35,000	-	-	-	-
95 JJAEP Costs	20,000	20,000	-	-	-	-
99 Other intergovernmental Charges	280,000	280,000				
Total Expenditures	\$ 34,640,547	\$ 38,298,390	\$ 2,137,785	\$ 2,253,549	\$ 7,686,171	\$ 7,686,671
Other Resources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Surplus (Deficit)	\$ (510,000)	\$ (1,053,262)	\$ -	\$ 0	\$ (153)	\$ 302,818

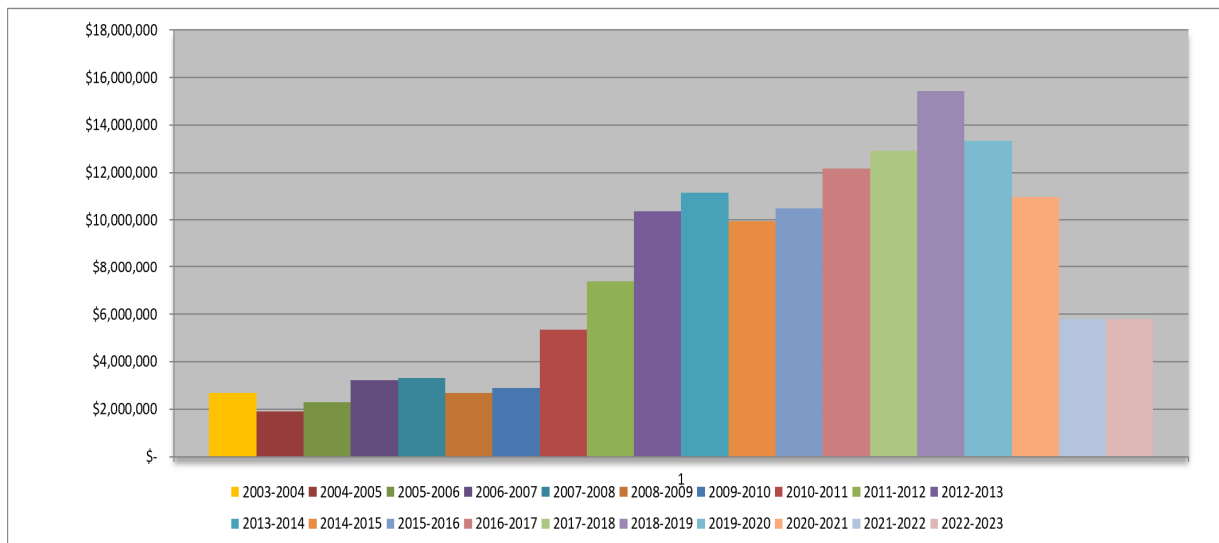
Analysis of Fund Balance

The Stafford MSD has had a positive fund balance of over 2 to 5 months of operations. During various fiscal years, the district has planned to use fund balance to address shortfall of revenues due to low enrollment and state aid. For fiscal year 2022-2023, it is anticipated that the district will have less than 2 months operations, and it will need to issue a Tax Anticipation Note to bridge the time between the collection and the operations for the fall semester. Below is a historical analysis of the audited fund balance, general fund expenditures and months of operating fund balance.

Stafford Municipal School District Historical Fund Balance Analysis General Fund

<u>Audit Year</u>	<u>Enrollment</u>	<u>Ending Fund Balance</u>	<u>General Fund Exp's</u>	<u>Months of Fund</u>	
				<u>Balance</u>	<u>Net Change</u>
2002-2003	2,810	\$ 3,743,301	\$ 24,326,727	1.85	\$ (536,659)
2003-2004	2,834	\$ 2,674,721	\$ 24,671,675	1.30	\$ (1,068,580)
2004-2005	3,010	\$ 1,898,804	\$ 24,244,782	0.94	\$ (775,917)
2005-2006	3,100	\$ 2,288,660	\$ 24,841,510	1.11	\$ 389,856
2006-2007	3,024	\$ 3,214,230	\$ 27,168,967	1.42	\$ 925,570
2007-2008	2,908	\$ 3,300,241	\$ 24,770,016	1.60	\$ 86,011
2008-2009	3,049	\$ 2,676,887	\$ 25,603,458	1.25	\$ (623,354)
2009-2010	3,140	\$ 2,879,316	\$ 23,248,439	1.49	\$ 202,429
2010-2011	3,172	\$ 5,360,167	\$ 26,443,260	2.43	\$ 2,480,851
2011-2012	3,357	\$ 7,382,211	\$ 22,137,316	4.00	\$ 2,022,044
2012-2013	3,343	\$ 10,361,422	\$ 24,137,811	5.15	\$ 2,979,211
2013-2014	3,479	\$ 11,165,608	\$ 25,517,617 *	5.25	\$ 804,186
2014-2015	3,412	\$ 9,964,613	\$ 28,379,268 *	4.21	\$ (1,200,995)
2015-2016	3,400	\$ 10,502,394	\$ 28,203,646	4.47	\$ 537,781
2016-2017	3,537	\$ 12,156,593	\$ 28,484,567	5.12	\$ 1,654,199
2017-2018	3,604	\$ 12,912,427	\$ 30,266,240	5.12	\$ 755,834
2018-2019	3,589	\$ 15,419,045	\$ 30,756,171	6.02	\$ 2,506,618
2019-2020	3,512	\$ 13,338,693	\$ 35,021,787	4.57	\$ (2,080,352)
2020-2021	3,225	\$ 10,974,010	\$ 37,062,261	3.55	\$ (2,364,683)
2021-2022	3,514	\$ 5,786,041	\$ 38,267,190	1.81	\$ (5,187,969)
2022-2023	3,600	\$ 5,786,041	\$ 38,298,390	1.81	\$ -

Ending Fund Balance by School Year



Enrollment Statistics, Trends, and Forecasts

Stafford MSD's enrollment over each of the past few school years has increased steadily and the demographic and economic disadvantage populations have steadily climbed as well. The tables below depict the past, present student body makeup of the District:

STAFFORD MSD ENROLLMENT STATISTICS, TRENDS and FORECAST

FY 2013 – FY 2022

	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017		2017/2018		2018/2019		2019/2020		2020/2021		2021/2022	
Ethnic Group	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
African American	1,353	40.4	1405	40.4	1377	40.4	1376	40.5	1489	42.1	1512	42.0	1,480	41.3	1,468	41.8	1,359	41	1,447	41.19
White	239	7.1	240	6.9	229	6.7	221	6.5	207	5.8	192	5.4	214	5.9	187	5.9	163	4.9	179	5.09
Asian/Pacific	317	9.5	279	8.0	252	7.4	240	7.0	225	6.4	246	6.8	215	6.0	216	6.1	206	6.3	256	7.28
Hispanic	1434	42.8	1545	44.4	1544	45.3	1549	45.6	1604	45.4	1644	45.6	1,667	46.5	1,631	46.4	1,579	47.6	1,623	46.20
Native American	10	0.3	10	0.3	10	0.3	14	0.4	11	0.3	10	0.3	10	0.3	10	0.3	9	0.3	8	0.23
Total Enrollment	3,353	100.00	3,479	100.00	3,412	100.00	3,400	100.00	3,537	100.00	3,604	100.00	3,586	100.00	3,512	100.00	3,316	100.00	3,513	100.00
Economic Disadvantage		68.3		69.0		67.8		68.7		68.7		70.9		72.7		73.6		70.1		74.12

Staffing Summary

After a careful review of district staffing formulas and comparing staff counts to our PEER districts and the state average, SMSD has used attrition with several positions (including teachers) in order to address maximizing staffing.

From a regular education perspective, the cuts will impact student to teacher ratios as follow:

Campus	<u>2020/21 Ratio</u>	<u>2021/2022 Ratio</u>	<u>2022/2023 Ratio</u>
High School	25:1	25:1	25:1
Middle School	24:1	24:1	24:1
Intermediate School	22:1	22:1	22:1
Elementary School	22:1	22:1	22:1
Primary School	20:1	20:1	20:1

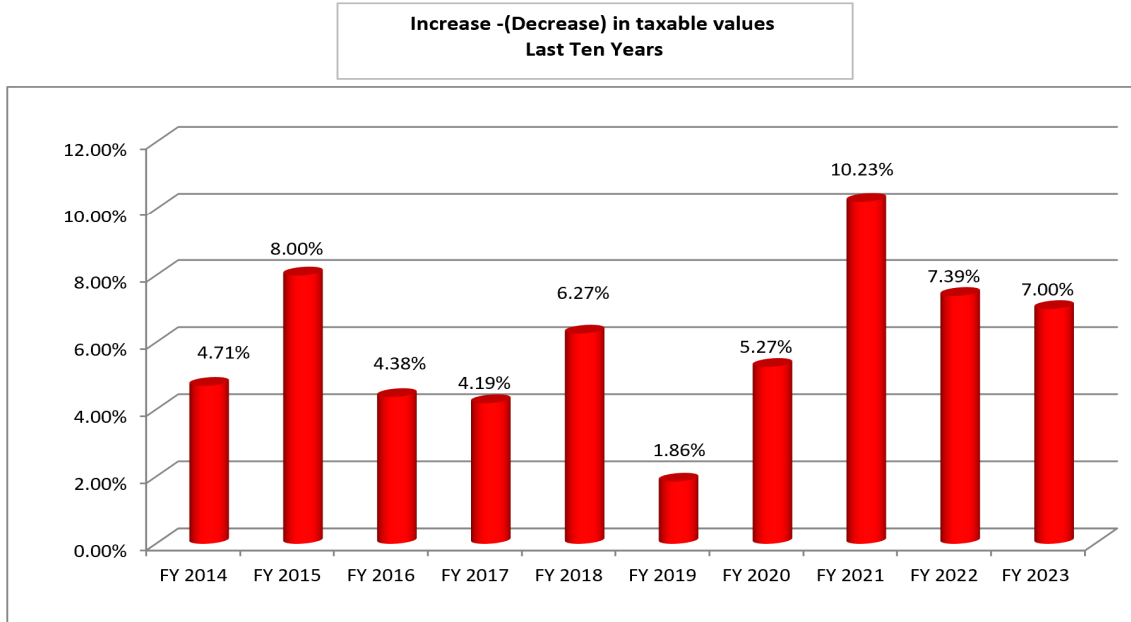
Taxable Valuations, Collection Rate, and Tax Rate

The Fort Bend County Appraisal District issued preliminary values for Stafford MSD on May 2022. The tax rate notice is required to be published in a Fort Bend County newspaper at least 10 days and no more than 30 days prior to the public hearing as required by law.

The certified taxable values released by the Fort Bend County Appraisal District indicate an **10.9%** increase from the 2021 tax year (fiscal year 2021-22). Overall, the general and debt service fund budgets have been prepared based upon **\$3,384,990,821** of taxable valuations (a percentage of values are still under protest so SMSD is projecting accordingly).

Based upon the certified values, the tax rate recommended for 2022/2023 is **\$1.1233** (\$.8874 M&O and \$0.2359 for I&S) which is lower from the \$1.1698 tax rate approved for 2021-2022. The following chart identifies the taxable valuation trend over the last ten years:

Increase (Decrease) in Taxable Values



On average, the District collected between 98.50% and 109.32% of the levy each of the last ten fiscal years (current and delinquent taxes combined). Given the increased values and higher rates of collection, a tax collection rate of 98.50% has been used to estimate the anticipated current and delinquent tax collections for each fund.

Changes in Debt for General Fund and Debt Service Fund

Stafford MSD has three (3) outstanding general obligation bond series outstanding as of August 31, 2022 – Series 2011, 2018, 2019A and 2019B, and refunding series 2014, 2016A and 2016B. As of August 31, 2022, the District owes \$99,165,000 in long-term general obligation bonds, and the related interest is \$57,460,213.

The District has utilized a short-term debt instrument, Tax Anticipation Note, in the past when cash flows could not meet operating expenditures. These notes do not have long-term financial obligations and they are financed by the general fund. For fiscal year 2022-2023, the District will have to use this debt instrument as cash reserves are at a healthier level due to the significant additions to fund balance. The projected amount of short-term financing will be \$9,000,000 for the months of November to January.

Future Budget Years

The District's budgeting process is more than just funding the next fiscal year's operations. The Board of Trustees, City Council, and District's administrative team anticipate major budget concerns two to four years into the future.

The budget is intended to provide a potential financial outcome based on known fixed costs and an estimate of variable costs. There are several assumptions that have been made in forecasting the financial impact of the next biennium (2023-2025), and they are as follows:

- ✓ Student enrollment stays relatively the same each year
- ✓ Student attendance rate stays relatively the same each year (96%)
- ✓ The economic disadvantaged rate grows at approximately 1.5% per year
Assumes that the Tax Ratification Election is approved for 3 golden pennies.
- ✓ Funding tiers are brought up to \$6,160 per student as a result of a successful the 87th Legislative Session (optimistic view based upon the district analysis of the latest sales tax trends)
- ✓ The District is moving from a “target revenue” to a “formula revenue” school District
- ✓ No new unfunded mandates projected to be introduced during the 88th Legislative Session
- ✓ Assessed valuations increase at the rate of 2.0% per year
- ✓ Each golden penny is valued at approximately \$200,000 each year
- ✓ The combined current and delinquent tax collection rate will be 98.0%
- ✓ Employee salary scales are modified so there is a 2% compensation increase for all employees
- ✓ All current programs & course offerings are maintained each year (i.e. Kickstart, Auto Tech, SEAL Academy, Choir, etc.)
- ✓ No catastrophic events occur
- ✓ The average fuel rate will be \$4.50 to \$5.00 per gallon each year
- ✓ The electricity contract that becomes effective May 1, 2012 includes a \$0.0574 per kwh rate and it extends through April 30, 2015
- ✓ The market rate on investments in pool accounts increases to average annual return of 1% per year
- ✓ Inflationary considerations are given to utilities, insurance, and other fixed costs each year (approximately \$100,000)
- ✓ Staff counts will remain constant each year
- ✓ Increased costs for new facilities (approximately \$300,000)
- ✓ 20% local homestead exemption is maintained

The District plans to continue conducting staffing/management reviews throughout each of the next several fiscal years in order to ensure that all operations are efficient and compliant. To supplement revenues, the District shall continue to promote the Limited Open Enrollment (LOE) program but maintain strict criteria for acceptance.

The following table includes revenue and expenditure forecasts by function:

	2023-2024	2024-2025	2025-2026
Estimated Revenues:			
Local Revenues	\$ 31,710,604	33,613,240	\$ 34,285,505
State Revenues	4,979,524	5,079,114	5,180,697
Federal Revenues	555,000	566,100	577,422
Total Estimated Revenues	\$ 37,245,128	\$ 39,258,455	\$ 40,043,624
Appropriations			
Instruction	\$ 21,825,820	\$ 22,262,336	\$ 22,707,583
Library and Media	373,259	380,724.18	388,339
Staff Development	378,172	385,735.44	393,450
Instruction Leadership	1,209,097	1,233,278.94	1,257,945
School Leadership	2,184,542	2,228,232.84	2,272,797
Counseling Services	876,025	893,545.50	911,416
Nursing Services	294,036	299,916.72	305,915
Student Transportation	1,086,740	1,108,474.80	1,130,644
Food Services	-	-	-
Extra-curricular	1,420,105	1,448,507.10	1,477,477
Administration	2,367,906	2,415,264.12	2,463,569
Plant Maintenance	4,196,472	4,280,401.44	4,366,009
Security Services	625,822	638,338.44	651,105
Technology Services	963,794	983,069.88	1,002,731
Community Development	161,600	164,832.00	168,129
Debt Service	-	-	-
Capital Outlay	-	-	-
Chapter 41 Costs	-	-	-
Deaf Education Coop	35,000	35,700.00	36,414
JJAEP Costs	20,000	20,400.00	20,808
Other intergovernmental Charges	280,000	285,600.00	291,312
Total Appropriations	38,298,390	39,064,358	39,845,645
Excess Revenues over Appropriations	\$ (1,053,262)	\$ 194,096.92	\$ 197,978.86

For the 2024-26 biennium, there are several unknowns so the district will be evaluating available options to maintain its fiscal strength. Among the items to consider include, but are not limited to, the following:

- Stipends and/or extra days
- Eliminate DAEP, Dual Language, and/or Pre-K routes
- After-school Program
- Staffing levels
- Furloughs
- Adding Pre-K 3 program

- Sale of district-owned land
- Reduce or eliminate number of local days provided to employees
- Require employees to fund cost of substitutes for personal leave days
- Elimination of sports few 3A districts participate in (or sports SMSD has little student participation)

Other Considerations

Tables, charts, and graphs have been prepared to provide a user-friendly approach to those who gain more insight visually. Other key factors which are part of the budget process are:

- No significant non-routine capital expenditures are included in the 2022/23 budget
- Future capital expenditure purchases are planned through contingency bond funds after the \$49,900,000 in bond proceeds has been depleted: It is expected that the district will need approximately \$250,000 in maintenance upgrades each year.
- 2022/2023 budget includes the purchase of property, casualty, worker's compensation, unemployment, and student insurance
- ADA is calculated on a 96% attendance rate which is a half a percent better than the State average

Allocation of Human and Financial Resources

The budget for Stafford MSD is people intensive. Over 77% of the budget is comprised of salaries and benefits so it is imperative to the continued financial health of the District to monitor staff levels during the staff allocation process. Student to teacher ratios are reviewed systematically during the year and all support services are analyzed regularly to ensure ratios are acceptable to State averages.

Financial resources are distributed to each campus based upon average daily attendance (ADA) and special population and program needs. Student needs, such as instructional supplies, come from these budget allocations. Other costs, such as fuel and utilities, are based upon historical trends, special requests and relative information.

Financial Approach

It is the intent of the Stafford Municipal School District administration to conservatively estimate the reasons anticipated under anticipated new law and to update once the finance templates are made readily available with comprehensive and accurate assumptions and values.

Conclusion

We acknowledge the assistance of all principals and department directors as well as Business Office Staff for their contribution to the preparation of the FY 2022-2023 Budget. The budget is a dynamic document which often must be adjusted due to changing conditions. We welcome any suggestions for improving the budget process. If you have any questions, please contact Dr. Jesus Amezcua, Interim CFO at jamezcua@staffordmsd.org or 281-261-9370.

/s/

Dr. Jesus Amezcua, CPA, RTSBA, CPFIM, Interim CFO

/s/

Dr Robert Bostic, Superintendent

APPENDIX



Stafford Municipal School District
Five Year Analysis of Revenues and Expenditures
General Fund 2022-2023 (+250 Students)

		FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 Projected (ESTIMATED)	FY 22--23 Proposed Budget
Revenues						
5710	Tax collections	\$ 25,137,043	\$ 27,585,481	\$ 27,301,546	\$ 27,222,352	\$ 30,954,283
5739	Tuition & fees	158,343	167,336	253,619	302,765	300,065
5742	Investment earnings	220,075	8,362	25,000	10,664	25,000
5743	Rent	6,340	4,990	5,000	1,745	5,000
5744	Donations	-	-	-	-	-
5749	Local Miscellaneous	472,494	323,503	115,000	10,405	115,000
5752	Athletic gate receipts	30,286	38,532	40,000	86,446	86,466
5769	Misc. Revenue from Other Sources	-	-	224,790	200,000	224,790
Total Local Revenues		26,024,581	28,128,203	27,964,955	27,834,377	31,710,604
5810	Foundation school program	4,955,853	4,363,639	2,733,592	2,629,113	3,107,524
5829	Misc. State Revenue	714	32,016	82,000	6,302	-
5831	Teacher retirement on-behalf	1,724,142	1,694,726	1,872,000	1,872,000	1,872,000
5839	Gasoline tax refund	-	-	-	-	-
Total State Revenues		6,680,709	6,090,380	4,687,592	4,507,415	4,979,524
5929	Indirect cost revenue	-	64,343	750,000	200,000	250,000
5931	School health & related services	151,274	160,068	180,000	177,611	205,000
5949	Misc. Federal Revenue	84,871	254,584	548,000	359,818	100,000
Total Federal Revenues		236,145	478,994	1,478,000	737,429	555,000
Total Revenues		32,941,435	34,697,578	34,130,547	33,079,221	37,245,128
Expenditures						
11	Classroom instruction	19,790,130	20,053,443	20,526,290	21,794,820	21,825,820
12	Library and media	241,971	263,769	283,259	373,259	373,259
13	Staff development	169,538	398,199	228,172	378,172	378,172
21	Curriculum & special ed. admin.	903,146	1,267,569	1,184,708	1,209,097	1,209,097
23	Campus & PEIMS administration	2,144,560	2,264,528	2,162,152	2,184,542	2,184,542
31	Counseling, testing, & assessment	728,409	929,231	876,025	876,025	876,025
33	Health and nursing services	310,839	593,313	294,036	294,036	294,036
34	Student transportation	894,175	912,337	900,606	1,086,740	1,086,740
36	UIL academic & athletic activities	1,282,039	1,241,187	1,276,765	1,420,105	1,420,105
41	General administration	2,577,814	2,119,342	2,142,644	2,367,906	2,367,906
51	Plant maintenance & operations	3,855,241	4,276,043	3,027,096	4,196,472	4,196,472
52	Security Services	318,770	530,634	525,000	625,822	625,822
53	IT department & PEIMS coordinator	1,510,628	1,036,856	793,794	963,794	963,794
61	Community Relations	53,633	98,251	85,000	161,400	161,600
71	Debt service	-	-	-	-	-
81	Construction	-	764,384	-	-	-
91	Robin Hood payments to State	-	-	-	-	-
93	Participate in deaf education coop.	-	33,900	35,000	35,000	35,000
95	Juvenile Justice Alternative Ed.	-	-	20,000	20,000	20,000
99	Tax Office	240,894	279,275	280,000	280,000	280,000
Total Expenditures		35,021,787	37,062,261	34,640,547	38,267,190	38,298,390
Excess Revenues Over Expenditures		(2,080,352)	(2,364,683)	(510,000)	(5,187,969)	(1,053,262)
Other Resources (Uses)		-	-	-	-	-
Fund Balance-Beginning		15,419,045	13,338,693	10,974,010	10,974,010	5,786,041
Fund Balance-Ending-Projected		\$ 13,338,693	\$ 10,974,010	\$ 10,464,010	\$ 5,786,041	\$ 4,732,779
Average Daily Attendance (ADA)		3,255	3,295	3,096	3,218	3,456
Maintenance & Operations Tax Rate		0.97005	0.96640	0.91390	Projected 0.91390	Projected 0.88740
					Projected	Projected Plus .02 on time for TY 2022

Stafford Municipal School District
Statement of Revenue and Expenditures and Changes in Fund Balance
Debt Service Fund (Fund 599)

		2019-2020 Actual	2020-2021 Actual	2021-2022 Amended Budget	2021-2022 Projected	2022-2023 Proposed
Revenues						
5710	Tax collections	\$ 7,170,326	\$ 7,311,458	\$ 7,644,518	\$ 7,651,938	\$ 7,955,489
5742	Investment earnings	38,102	1,830	2,500	3,604	5,000
5749	Misc. Revenue	-	-	-	18	-
	Total Local Revenues	<u>7,208,428</u>	<u>7,313,288</u>	<u>7,647,018</u>	<u>7,655,560</u>	<u>7,960,489</u>
5819	EDA Allotment	31,372	31,648	39,000	29,807	29,000
	Total State Revenues	<u>31,372</u>	<u>31,648</u>	<u>39,000</u>	<u>29,807</u>	<u>29,000</u>
5929	Misc. Federal Revenue	-	-	-	-	-
	Total Federal Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total Revenues	<u>\$ 7,239,800</u>	<u>\$ 7,344,936</u>	<u>\$ 7,686,018</u>	<u>\$ 7,685,367</u>	<u>\$ 7,989,489</u>
Expenditures						
71	Principal on Long-Term Debt	3,155,000	2,800,000	2,905,000	2,905,000	3,015,000
72	Interest on Long-Term Debt	3,975,853	4,329,076	4,219,626	4,219,626	4,110,126
73	Issuance Costs and Fees	442,363	4,250	561,545	561,545	561,545
	Total Expenditures	<u>7,573,216</u>	<u>7,133,326</u>	<u>7,686,171</u>	<u>7,686,171</u>	<u>7,686,671</u>
	Excess Revenues Over Expenditures	<u>(333,416)</u>	<u>211,610</u>	<u>(153)</u>	<u>(804)</u>	<u>302,818</u>
Other Resources (Uses)		-	-	-	-	-
7911	Refunding bonds	35,975,000	-	-	-	-
7911	Other Sources- Premium on Bonds	3,462,395	-	-	-	-
7911	Payments to Escrow Agent	(38,970,417)	-	-	-	-
	Fund Balance-Beginning	<u>2,565,111</u>	<u>2,698,673</u>	<u>2,910,283</u>	<u>\$ 2,910,130</u>	<u>2,909,326</u>
	Fund Balance-Ending-Projected	<u>\$ 2,698,673</u>	<u>\$ 2,910,283</u>	<u>\$ 2,910,130</u>	<u>\$ 2,909,326</u>	<u>\$ 3,212,145</u>
	Average Daily Attendance (ADA)	3,255	3295	3,096	3,218	3,456
	Interest & Sinking Tax Rate	0.28000	0.255912	0.2559	0.2559	0.2359

Stafford Municipal School District
Statement of Revenues and Expenditures and Changes in Fund Balance
Child Nutrition Program (Fund 240)

		2019-2020 Actual	2020-2021 Actual	2021-2022 Amended Budget	2021-2022 Projected	2022-2023 Proposed
Revenues						
5742	Investment earnings	\$ 4,362	\$ 19	\$ 2,500	\$ 14	\$ 2,500
5749	Local Miscellaneous	1,607	1,970	1,000	-	1,000
5751	Local Food Service Receipts	162,232	17,278	25,000	4,163	25,000
5769	Misc. Revenue from Other Sources					
	Total Local Revenues	168,201	19,267	28,500	4,177	28,500
5829	Misc. State Revenue	9,750	9,796	10,000	4,601	10,000
5831	Teacher retirement on-behalf	-	63,468	-	-	-
	Total State Revenues	9,750	73,264	10,000	4,601	10,000
5921	School Breakfast Revenue	432,985	665,249	539,915	508,259	539,915
5922	School Lunch Revenue	1,100,574	1,273,255	1,351,816	1,640,763	1,467,580
5923	USDA Donated Commodities	142,774	153,290	182,554	-	182,554
5929	Department of Agriculture	-				
5939	Department of Agriculture	43,825	246,692	25,000	32,638	25,000
	Total Federal Revenues	1,720,158	2,338,486	2,099,285	2,181,660	2,215,049
	Total Revenues	\$ 1,898,109	\$ 2,431,017	\$ 2,137,785	\$ 2,190,438	\$ 2,253,549
Expenditures						
35	Food Services	\$ 2,037,237	\$ 1,851,857	\$ 2,067,870	\$ 2,067,870	\$ 2,153,549
35	Food Services (Proj TDA Approval)	-	-	-	500,000	-
51	Plant Maintenance & Operations	28,492	20,391	69,915	69,915	100,000
	Total Expenditures	2,065,729	1,872,248	2,137,785	2,637,785	2,253,549
Excess Revenues Over Expenditures		(167,620)	558,769	-	(447,347)	0
Other Resources (Uses)		-	-	-	-	-
Fund Balance-Beginning		524,583	356,963	915,731	915,731	468,384
Fund Balance-Ending-Projected		\$ 356,963	\$ 915,731	\$ 915,731	\$ 468,384	\$ 468,384
Average Daily Attendance (ADA)		3,295	3,096	3,218	3,218	3,456
Meals served		3,322	2,095	3,716	3,716	3,800

MAINTENANCE NOTES SCHEDULE PLANNER

FUNDING SOURCE	TAX ANTICIPATION & MAINTENANCE NOTES
PROJECT	PROJECTED TIMELINE

Series 2022A & Series 2022B

PROJECT PHASE	STARTING	ENDING	PROJECT PHASE	STARTING	ENDING
BUGDET WORKSHOP	june 2022	June 2022	MAINTENANCE NOTE	Feb 2023	Mar 2023
ANALYSIS AND PRICING SALE	Aug 2022	Aug 2022			
TAN CLOSING	August 2022	Sept 2022			
FUNDS AVAILABLE	Sept 2022	Sept 2022			

TAN

JUNE							JULY							AUGUST							SEPTEMBER							OCTOBER							NOVEMBER							
M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	
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20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	
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DECEMBER							JANUARY							FEBRUARY							MARCH							APRIL 2022							MAY 2023							
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BOT DP

DATE:	February 3, 2022
SUBJECT:	2022 Maximum Compressed Tax Rates
CATEGORY:	Funding Implications; Tax rate compression
NEXT STEPS:	Share with business and finance staff

This letter details matters regarding tax rates for the 2022 tax year (TY) and the related state funding implications for the 2022–2023 school year (SY) based on Texas Education Code (TEC) §§48.255, 48.2551, and 48.2552, and 19 Texas Administrative Code (TAC) §61.1000. It is important to remember that Tier One tax compression does not impact the overall level of funding a district is entitled to. Rather, tax compression only impacts the balance of state and local share of a school district's total Tier One entitlement. This notice does not apply to open-enrollment charter schools.

Tier One tax compression for TY 2022 and SY 2022–2023

In TY 2022, state *and* local compression will apply to district Tier One tax rates (the portion of the M&O tax rate that previously comprised the first \$1.00 in prior law but is now based on the maximum compressed tax rate (MCR). State and local compression work in parallel, and districts receive the method which results in the greatest amount of compression (i.e., the lowest tax rate).

State Compression

State compression compares the extent to which estimated statewide property value growth (set by the General Appropriations Act at 4.36 percent for TY 2022) exceeds 2.5 percent to determine the MCR for TY 2022, calculated using the formula below. Additionally, in accordance with TEC, §48.2552(c), after accounting for additional state revenue determined under TEC, §48.2552(b), the maximum state compression rate for TY 2022 will continue to be reduced by an additional 0.003 pennies.

$$\text{TY 2022 State MCR} = 0.9134 \times (1.025 \div 1.0436) - 0.003 = \text{\$0.8941}$$

Local Compression

Similarly, local compression uses individual district property value growth compared to 2.5 percent to determine the MCR. Since districts receive the lesser of the MCR calculated under state compression or local compression, of the districts with a prior year MCR of \$0.9134, only districts whose local value growth exceeds 4.36 percent (the statewide growth in property values) will have additional compression below \$0.8941 (the state compression MCR).

Limit on Local Compression

In order to maintain tax rate equity, no district may have an MCR less than 90 percent of any other district. Districts whose prior year MCR was 0.9134 and which grow more than 15.92 percent for TY 2022 will meet this limitation. Other districts whose prior year MCR was below 0.9134 may reach this limitation with property value growth rates below 15.92 percent. As a result, no district will have a maximum Tier One tax rate lower than \$0.8046 for TY 2022 and SY 2022–2023.

Tax Compression Interaction with Senate Bill (SB) 1 (87-3)

Senate Bill 1 of the 87th Texas Legislature, 3rd Called Session, increased the state mandatory homestead exemption applicable to school districts from \$25,000 to \$40,000 per eligible homestead and created additional state aid to hold districts harmless for the decrease in local tax revenue. The following guidance assumes that voters will approve the increase in May 2022. Because SB 1 increases the homestead exemption, local district taxable property values (and calculated estimates of district comptroller property values, i.e., “T2”) for tax year 2022 will reflect the \$40,000 exemption, while tax year 2021 will reflect the previous exemption of \$25,000. The calculation of state compression will be unaffected by this change, and the calculation of local tax compression will otherwise be identical to prior years, except for the differences in homestead exemption levels between tax years.

TEA Technical Assistance in Calculating Tax Rates

The Texas Education Agency will open a data collection from July 18, 2022, through August 1, 2022. This data collection will focus on local school district property tax data for TY 2022 as well as for historical local property values. The agency will use the locally estimated property growth rates to calculate estimates of comptroller-certified property values used for state funding purposes (i.e., “T2” property values) and then will determine and make available maximum compressed Tier One tax rates in August 2022. More details related to this data collection will come via email notifications to subscribers of Public School Funding Updates in July 2022. Sign up to receive email notifications for Public School Funding Updates using this link:

https://public.govdelivery.com/accounts/TXTEA/subscriber/new?topic_id=TXTEA_5.

Reminder about Tier Two and voter approval elections

Pursuant to Texas Tax Code, Chapter 26, beginning in TY 2021, districts could:

- levy up to the district’s maximum Tier One compressed rate as discussed above without voter approval;
- levy the district’s maximum Tier One compressed rate plus four golden pennies without voter approval;
- levy an additional fifth golden penny¹ without voter approval, but only with a majority board vote; and
- levy a total of 17 enrichment pennies above the district’s maximum Tier One compressed rate (any previously authorized pennies do not require voter approval).

The basis for determining whether voter approval elections are required will begin with the district’s TY 2022 MCR plus the number of enrichment pennies accessed in TY 2021.

¹ Districts that have already accessed more than four golden pennies are not eligible to add additional pennies without a voter approval election.

Tier	Pennies	Action Required to Access
Tier Two Copper Pennies	9 – 17	Voter Approval Required (or previously accessed in TY 2021)
Tier Two Golden Pennies	6 – 8	Voter Approval Required (or previously accessed in TY 2021)
Tier Two Golden Pennies	1 – 5	No Voter Approval, but Majority Board Vote Required (or previously accessed in TY 2021)
Tier One	0 - MCR	No Voter Approval

Maximum M&O tax rate for TY 2022 and SY 2022–2023

The maximum M&O tax rate for any district in TY 2022 will be \$1.0641 (\$0.8941 + \$0.17). Districts with local compression that exceeds state compression will have a lower maximum M&O tax rate.

Questions

Nothing stated in this correspondence supersedes the Texas Education Code or the Texas Administrative Code. If you have any questions related to maximum compressed tax rates as determined under TEC, §48.2551, please contact the division of state funding by phone at (512) 463-9238 or by email at taxprograms@tea.texas.gov.

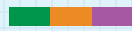
Sincerely,

Leo Lopez, RTSBA

Associate Commissioner for School Finance & Chief School Finance Officer



School Finance & Legislative Update

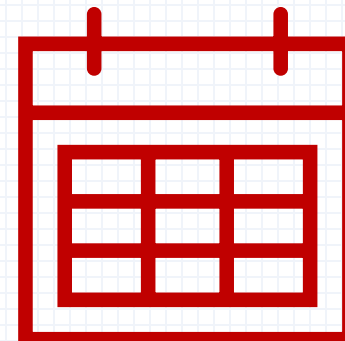
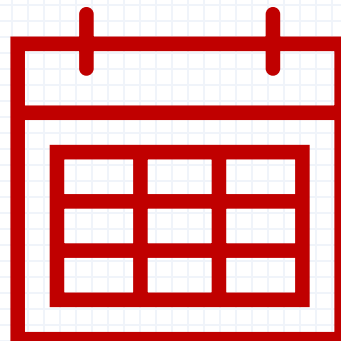
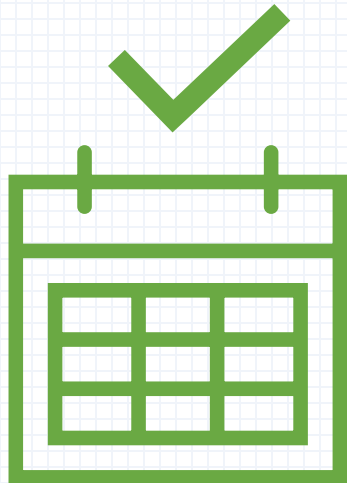
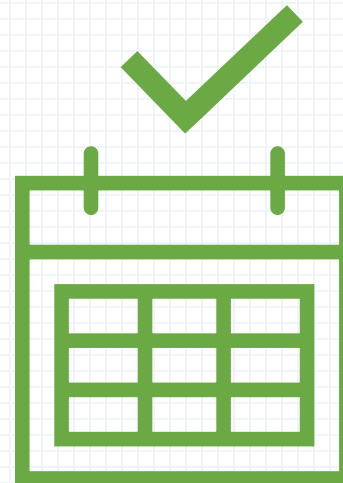
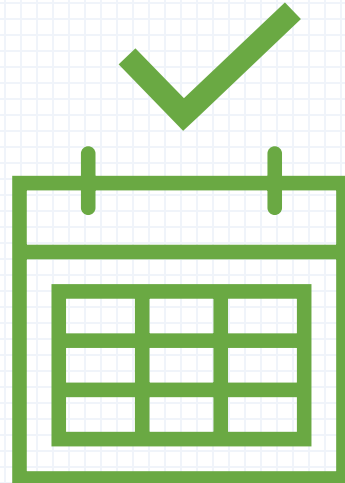
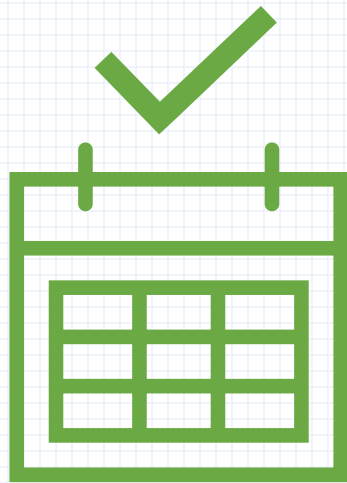


Prepared for the
Harris County Department of Education



Operational
Minute
Adjustment

Operational Minute Adjustment



TEA announced in March that it will revise districts' ADA through the

first 4 six weeks of 2021-22

up to pre-pandemic levels.



Operational
Minute
Adjustment

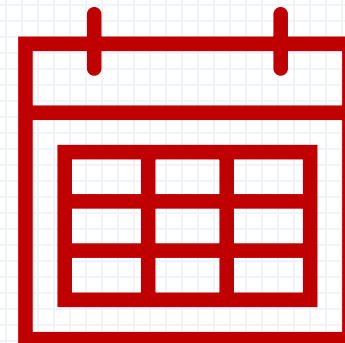
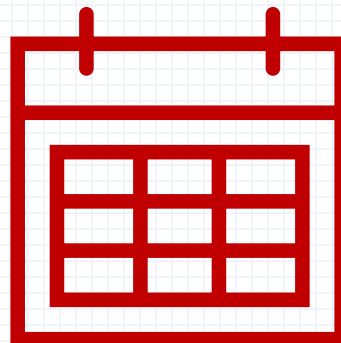
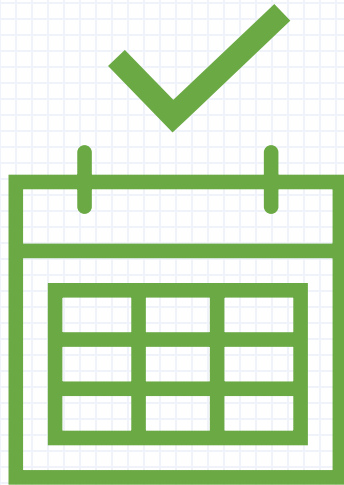
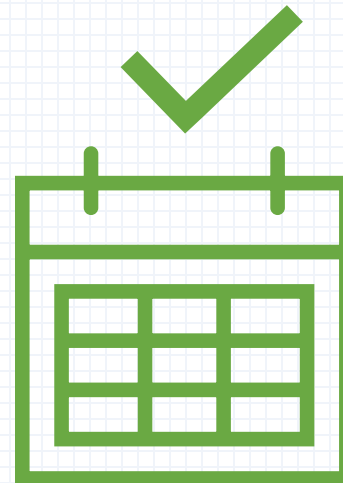
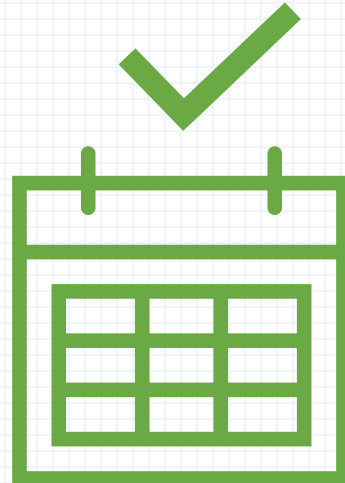
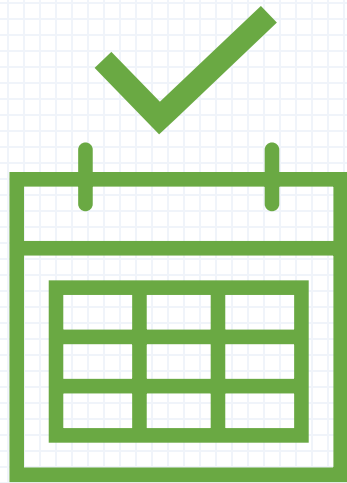
Operational Minute Adjustment

1. This **will not protect** districts from enrollment declines. This will only offset **low attendance rates** during the first 4 six weeks of 2021-22.
2. This will come as additional state aid/reduced recapture. Districts **will not pay** for this adjustment with their ESSER dollars.
3. This adjustment **will also be made to many special program allotments** such as special education, CTE, bilingual education, early education, etc.



Operational
Minute
Adjustment

Operational Minute Adjustment



+\$1 B

of additional state
aid/reduced
recapture for Texas
school districts.



Operational
Minute
Adjustment

Operational Minute Adjustment

- Even after the OMA extension, adjusted ADA is expected to be 130k+ below LPE (**around \$1.5 B savings to state**).
- This would be in addition to the projected FSP surplus of **\$1.2 B** from prior school year.
- Cost to districts of not including 5th and 6th six weeks in OMA extension estimated to be **\$280+ million**.



Looking forward
to the 88th

Enrollment vs. ADA

	Description	Number of States
Average Daily Membership	Average enrollment counts over most or all of the year.	23
Single Count Day	Enrollment or attendance count from a single day, typically in the fall.	11
Multiple Count Day	Attendance or enrollment counts from multiple days, e.g., fall and spring.	9
ADA	Averaged daily attendance counts over most or all of the year.	6 (incl. TX)
Enrollment Period	Enrollment counts over multiple days.	1

Source: Education Commission of the States



Enrollment vs. ADA



Looking forward
to the 88th

- **Research is mixed** on how/if districts respond to financial incentives under an ADA-based system and how/if students benefit.
- **Research is clear** on the demographics of chronically absent students and what types of school districts lose the most under ADA-based systems.

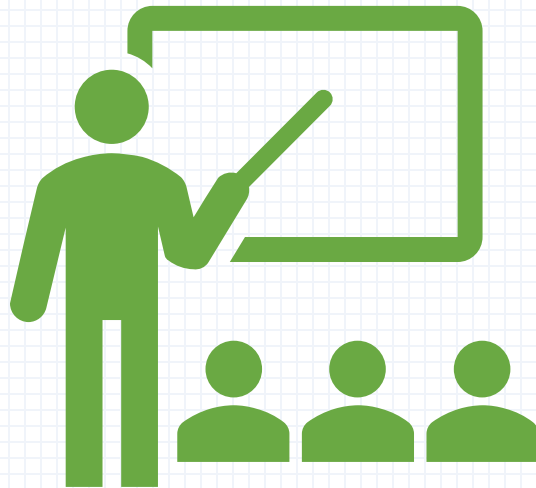


Enrollment vs. ADA

Primary district cost drivers are **enrollment based**.



Looking forward
to the 88th



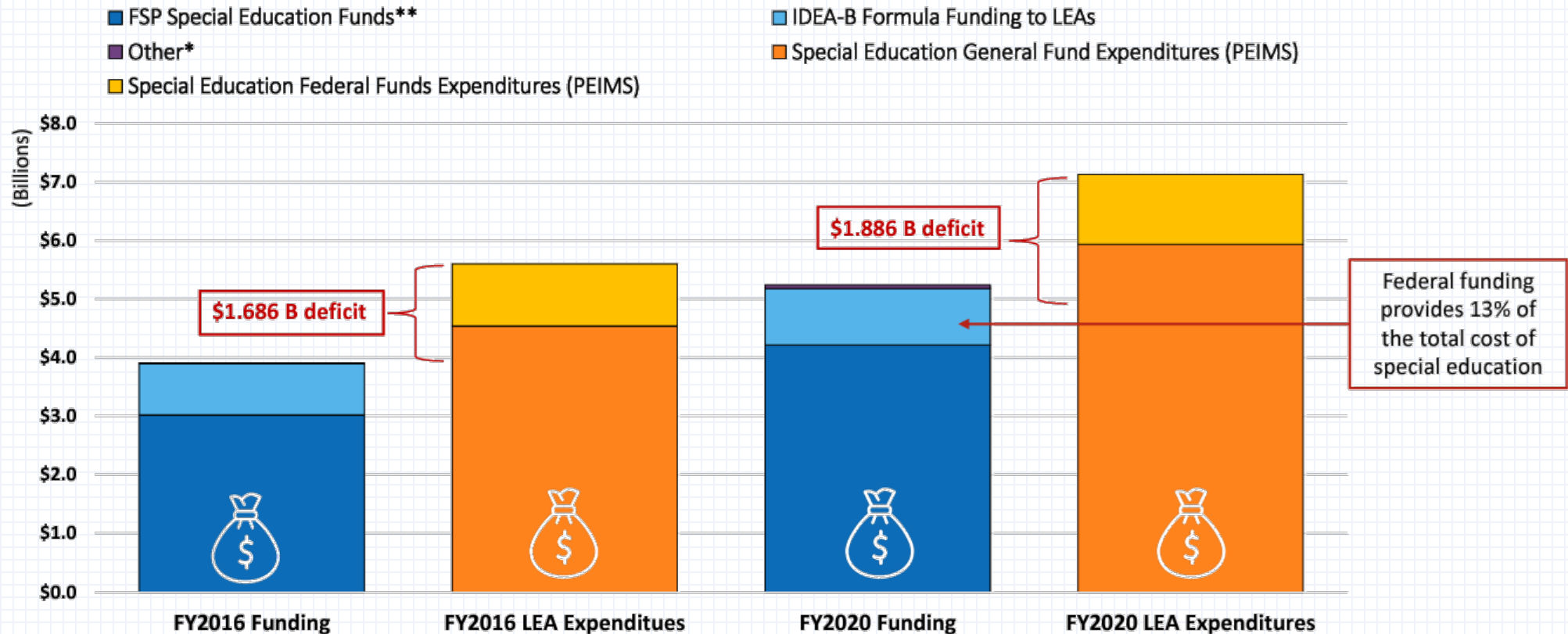


Special Education

Special education **funding gaps** have remained despite changes made in recent legislation.



Looking forward
to the 88th



Source: Texas Education Agency



Virtual Education

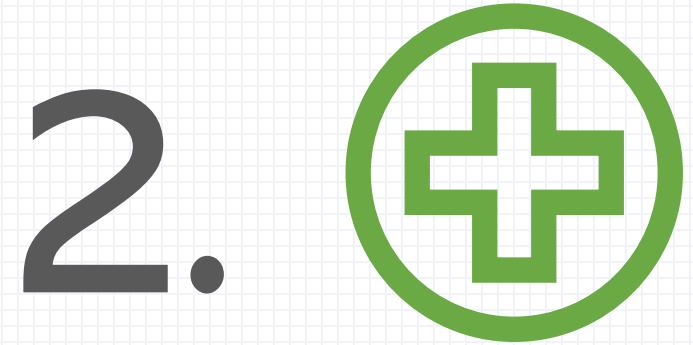


Looking forward
to the 88th

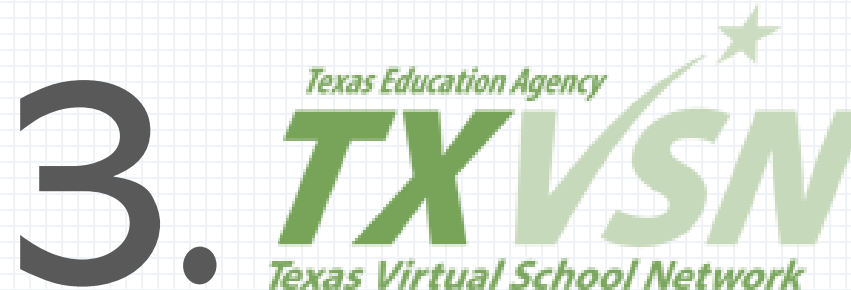


**Local Remote
Learning Program
SB 15**

Expires at end of 2022-23 school year



**Remote
Conferencing**

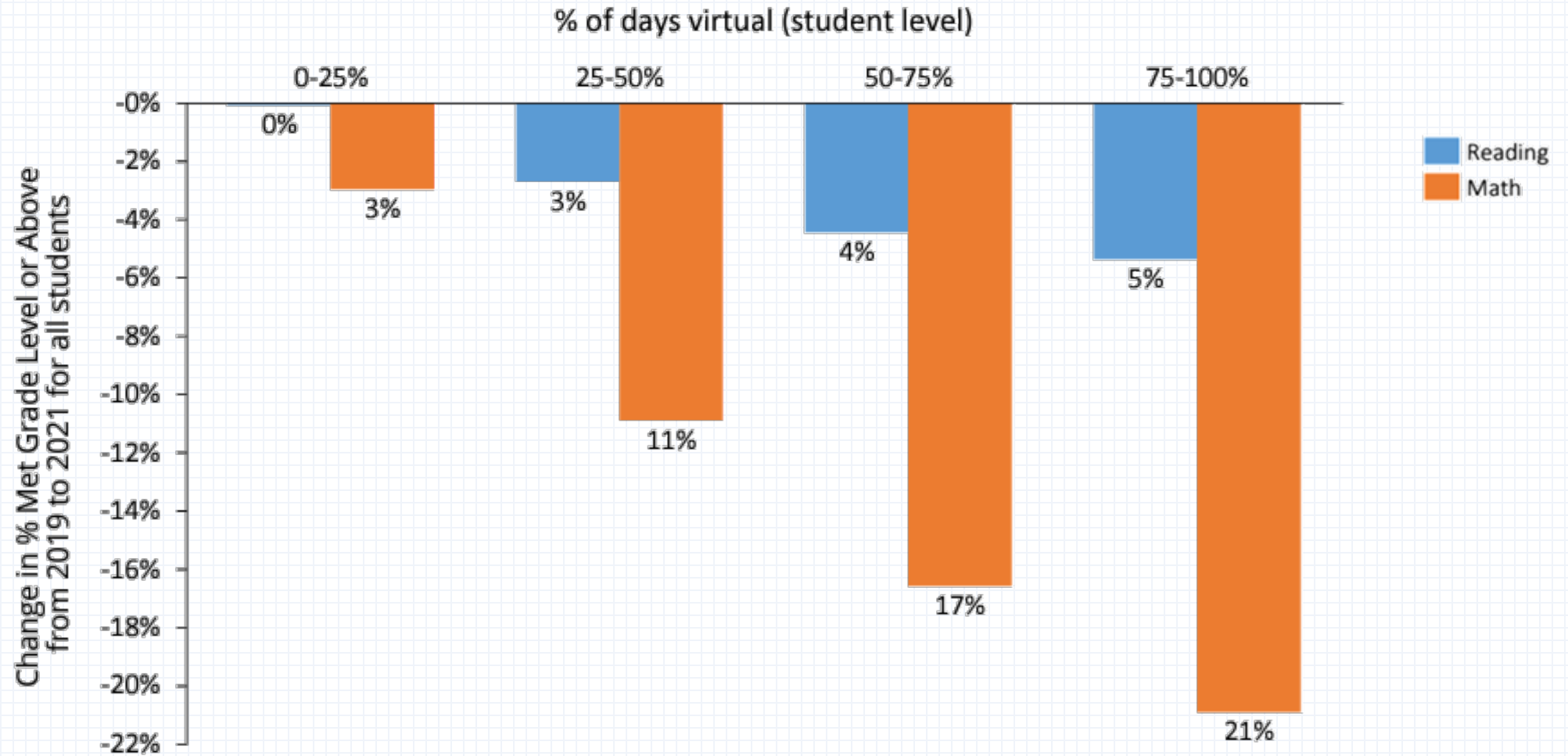




Virtual Education



Looking forward
to the 88th





Virtual Education



Looking forward
to the 88th

- Expect **significant student achievement-related guardrails** to continue to be a feature of any long-term virtual education framework.
- Commission has not fully delved into debate over increasing number/capacity of statewide online providers.
- Some discussion on **providing financial incentives** to smaller districts facing challenges in implementing high-quality remote conferencing programs.



Looking forward
to the 88th

Bond Propositions | Dollars

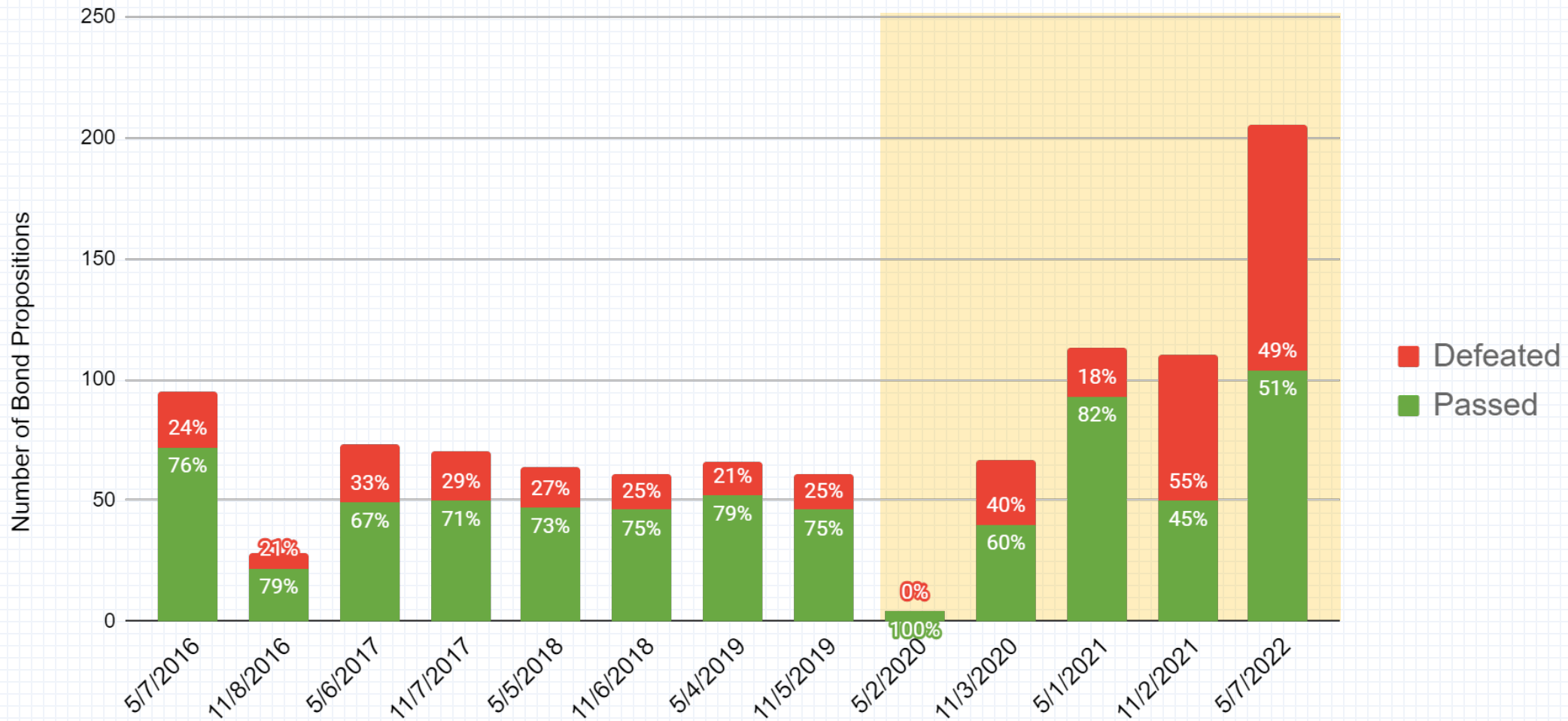
	May	Nov.	Total
2013	\$4.1 B	\$3.4 B	\$7.5 B
2014	\$6.2 B	\$4.1 B	\$10.3 B
2015	\$4.5 B	\$6.4 B	\$10.9 B
2016	\$4.7 B	\$2.9 B	\$7.6 B
2017	\$5.8 B	\$8.2 B	\$14.0 B
2018	\$5.3 B	\$5.7 B	\$11.0 B
2019	\$8.5 B	\$7.0 B	\$15.5 B
2020	\$0.3 B	\$9.0 B	\$9.3 B
2021	\$7.0 B	\$8.7 B	\$15.7 B
2022	\$16.6 B		



Bond Propositions



Looking forward
to the 88th





Looking forward
to the 88th

Other Major Topics

- **Labor Shortages:** Gov. Abbott established Teacher Vacancy Task Force to develop recommendations to deal with staffing challenges.
- **Vouchers:** Voucher bills will be a major focus of the Senate during the next legislative session.
- **ESSER:** TEA will begin reporting ESSER expenditures to state lawmakers this summer. Districts will need to take steps to avoid falling off the “fiscal cliff.”
- **Undocumented Students:** Gov. Abbott said that state will challenge previous Supreme Court ruling requiring public schools to serve undocumented students.



Other Major Topics

- **School Safety:** Gov. Abbott has tasked school safety center with random, unannounced intruder audits.

House and Senate have named members to new committees focused on school safety.

Lt. Gov. Dan Patrick proposed \$50 million for bulletproof shields for police officers.



Looking forward
to the 88th



Property
Taxes

Property Values

What all are property values used for?

- **To determine tax compression:** Districts will need to report the **grand total, net taxable value** from the certified report to TEA in July. Wait to adopt your tax rate until you receive MCR from TEA (unless going for a TRE).
- **To determine tax collections:** This calculation will rely on **freeze-adjusted values** and frozen taxes paid. Also may incorporate anticipated ARB losses.
- **To determine state aid:** Comptroller T values from the Property Value Study determines local share. This figure **does not include loss from LOHEs and includes a deduction of only a portion of the frozen values.**



Property
Taxes

What are values used for?

To determine tax compression:

Survey Information

Selected School Year: 2020-2021

Selected District: LA JOYA ISD (108912)

Tax Year 2019 Value Lost to the Local Optional Homestead Exemption

\$0

Tax Year 2019 Comptroller Certified School District Taxable Values for M&O Purposes (T2)

\$2,631,437,440

Chief Appraiser's July 25th Certified School District Taxable Values from the Certified Appraisal Roll.

Grand Total, Net Taxable ➡

For Tax Year 2019 : \$2,632,980,762

For Tax Year 2020 : \$2,769,929,321

Local Property Value Growth %: 5.20%

Tax Year 2020 property value no longer subject to a limitation on appraised value under Chapter 313, Tax Code :

\$0

Tax Year 2020 property value no longer subject to a limitation on appraised value under Chapter 311, Tax Code :

\$0

Total Exemption expiry (E) (per TEC §48.2551 (a)) : \$0

Growth net of expiring 313 or 311 agreements %: 5.20%

Local Optional Homestead Exemption Value Loss for Tax Year 2020:

\$0

Local Optional Homestead Exemption value change: \$0



Property
Taxes

What are values used for?

To determine tax compression:

HS, Local Column ➡

HS, Local Column ➡

Survey Information

Selected School Year: 2020-2021

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Tax Year 2019 Value Lost to the Local Optional Homestead Exemption

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Total Exemption expiry (E) (per TEC §48.2551 (a)) : \$0

Growth net of expiring 313 or 311 agreements %: 5.20%

Local Optional Homestead Exemption Value Loss for Tax Year 2020: \$0

Local Optional Homestead Exemption value change: \$0



Property
Taxes

What are values used for?

To determine T values:

- $T2 = \text{M\&O Net Taxable} - \text{Frozen Value Loss} + \text{Local Optional Homestead Exemption Loss}$

Note: This is an approximation using the elements available on most CAD estimates and does not reflect impact of taxpayer protests. Check and see how CAD adjusted for Prop 2 as well.

- $\text{Frozen Levy Loss} = (\text{Frozen Taxable Total} / 100 * \text{Total Tax Rate}) - \text{Frozen Actual Tax Total}$
- $\text{Frozen Value Loss} = \text{Frozen Levy Loss} / (\text{Total Tax Rate} / 100)$

Note: If you have a LOHE or offer other local exemptions to over-65/disabled homesteads, you will need to adjust this calculation.



Property
Taxes

What are values used for?

To determine local property tax levy:

- $$\text{M\&O Levy} = (\text{M\&O Freeze Adjusted Taxable} / 100 * \text{M\&O Rate}) + \text{Frozen Actual Tax Total} * (\text{M\&O Rate} / \text{Total Tax Rate})$$

If you have a 313 limitation agreement, be sure to calculate collections **with the limited property values.*

- $$\text{M\&O Collections} = (\text{M\&O Levy} * \text{Collections Rate}) + \text{Delinquent Tax Collections}$$



Property
Taxes

What are values used for?

To determine local property tax levy:

- $$\text{I\&S Levy} = (\text{I\&S Freeze Adjusted Taxable} / 100 * \text{I\&S Rate}) + \text{Frozen Actual Tax Total} * (\text{I\&S Rate} / \text{Total Tax Rate})$$

If you have a 313 limitation agreement, be sure to calculate collections **with the full taxable value included.*

- $$\text{I\&S Collections} = (\text{I\&S Levy} * \text{Collections Rate}) + \text{Delinquent Tax Collections}$$



M&O Tax Rate

Texas school districts levy a **maintenance and operations property tax rate**, comprised of two tiers and two levels.





M&O Tax Rate | Tier One



- The **Tier One** portion of a district's rate is subject to **ongoing compression** due to HB 3 (2019). Prior to HB 3, most districts had a Tier One rate of **\$1.00**.
- After HB 3, districts Tier One rate is determined by various formulas that depend on **estimated statewide property value growth** and **local property value growth**.
- TEA notifies districts of the highest Tier One rate they can adopt each summer through the **Local Property Value Survey**.



M&O Tax Rate | Tier Two



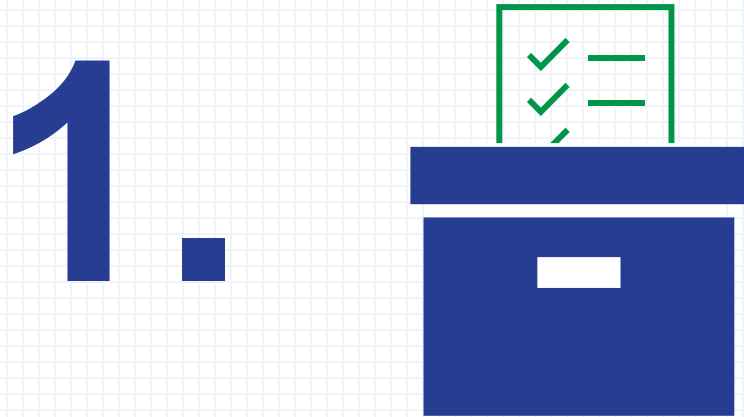
- Districts can levy up to **\$0.17** pennies in Tier Two. The first **\$0.08** are “golden pennies” and the next **\$0.09** are “copper pennies.”
- The Legislature compressed copper pennies in the first year of HB 3. Future copper penny compression is tied to increases in the basic allotment
- The first **\$0.05** golden pennies can be adopted by a simple majority of the board. Accessing **new** pennies beyond that point usually requires voter approval.



M&O Tax Rate

To access new Tier Two pennies, districts **have two options:**

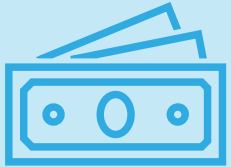
**Hold a Voter-Approval Tax
Rate Election (VATRE)**



2.

Adopt Disaster Pennies





Property
Taxes

VATRE Timeline

No later than 6/30/22: July 1 districts must adopt budget for the 2022-23 school year.

No later than 7/8/22: Board selects auditor to conduct efficiency audit.

****Not required due to disaster declaration, but still recommended.****

8/22/22: Districts going for a TRE must adopt their tax rate by this date (78 days before the election). Will be based on preliminary tax compression calculations.

9/30/22: Districts not going for TRE must adopt their rate no later 9/30/22 or 60 days after receiving certified appraisal roll.

No later than 10/8/22: Efficiency audit must be completed, posted to district web site. Results must be discussed at open meeting before election date.

****Not required due to disaster declaration, but still recommended.****

11/8/22: November uniform election date



Disaster Pennies



- Gov. Abbott declared a **statewide disaster** in response to Winter Storm Uri in Jan. 2021.
- This made **all school districts eligible** to adopt disaster pennies.
- Disaster pennies adopted under this provision **only last one year**. Districts adopt these pennies in the year after which the disaster occurred.
- Lege did appropriate \$35 million for Uri reimbursements.



Property
Taxes

Property Tax Relief

The costs of **Tier 1 compression** under HB 3 are estimated to have grown to **\$4.2 billion** in tax year 2021.

Tax Year	State Cost
2019	\$1.9 B
2020	\$2.9 B
2021	\$4.2 B

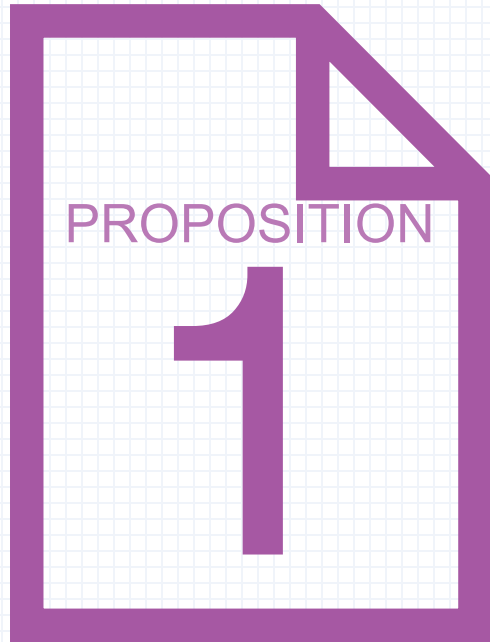


Property Tax Relief

✓ APPROVED



Property
Taxes



- Ensures that over-65/disabled homeowners would see reductions in their property tax bill due to Tier 1 M&O rate compression established under HB 3.
- This would take effect for 2023 values. **Bill includes state aid to offset property tax loss.**

FY 2024 Costs: **\$220 million**
FY 2025 Costs: **\$248 million**
FY 2026 Costs: **\$277 million**

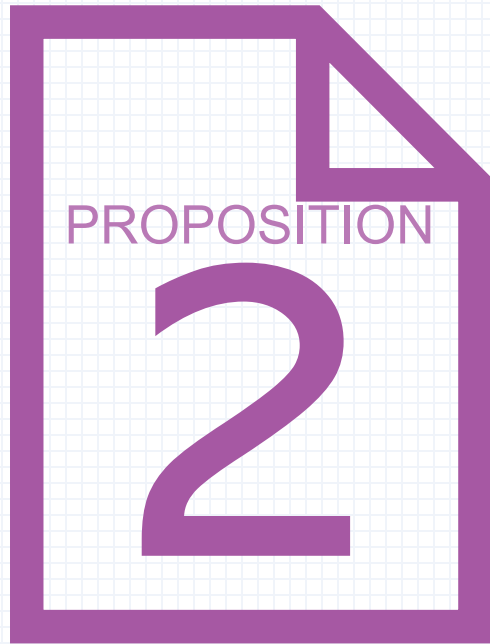


Property Tax Relief

✓ APPROVED



Property
Taxes



- This proposition would increase residence homestead exemption from **\$25,000 to \$40,000** beginning with the 2022 tax year.
- Includes additional M&O and I&S state aid to offset impact of lost property tax collections.

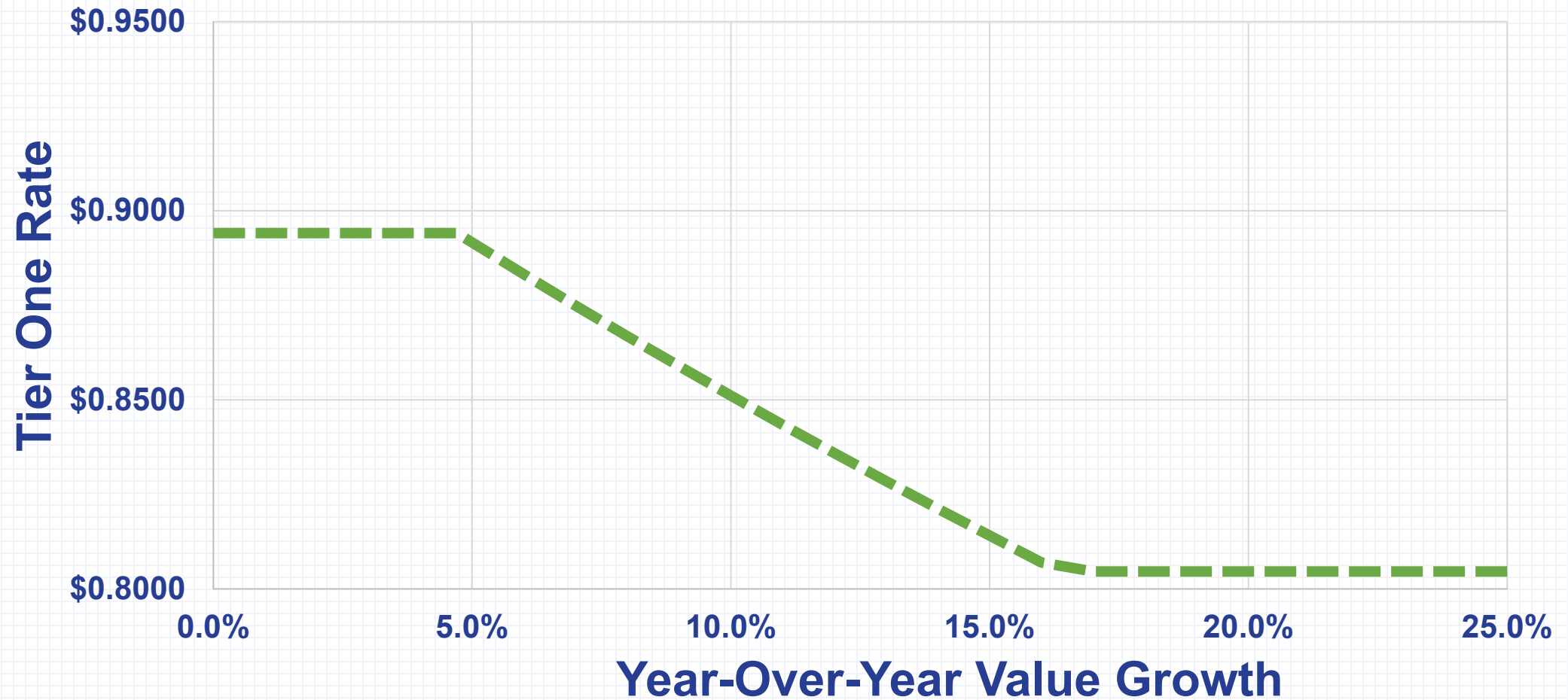
However, the I&S hold harmless would only cover taxes needed to service **debt issued prior to September 1, 2021.**

FY 2023 Costs: **\$439 million**
FY 2024 Costs: **\$463 million**
FY 2025 Costs: **\$517 million**



M&O Tax Rate

SY 2022-23
Tier One Compression





M&O Tax Rate

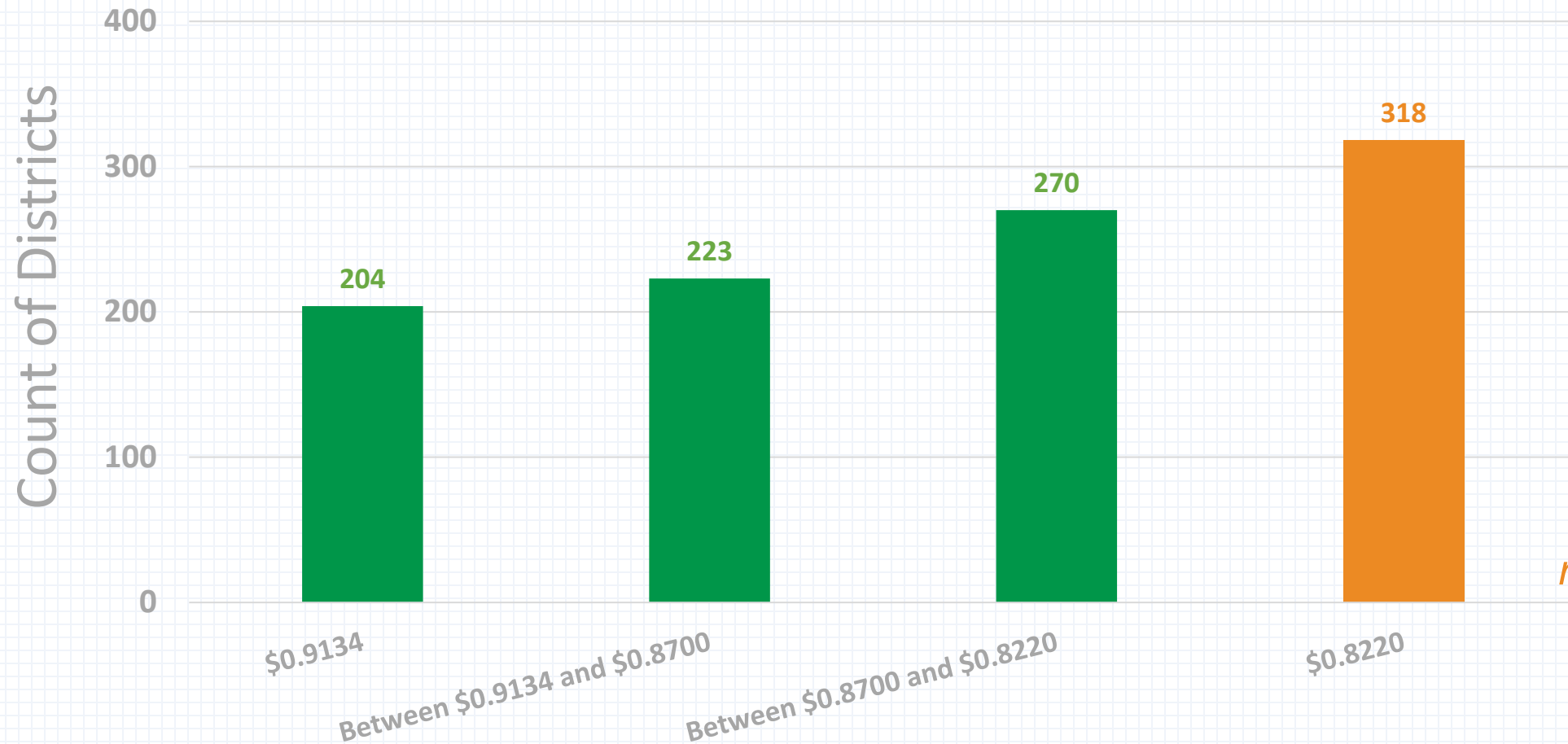
SY 2020-21
Tier One Compression





M&O Tax Rate

SY 2021-22
Tier One Compression



\$295 million
in additional
compression
required during
88th.

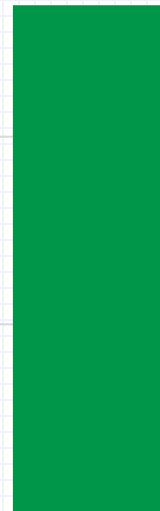


M&O Tax Rate

Tier One Compression

Count of Districts

SY 2022-23?



*\$??? million
in additional
compression
required during
88th.*



Questions & Comments





MOAKCASEY

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GLOSSARY



Stafford Municipal School District

Glossary of Terms

The following explanations of terms are presented to aid in understanding the narrative discussions and illustrations included in this text and the terminology generally used in governmental accounting, auditing, financial reporting and budgeting. This glossary has been adapted from the Government Finance Association's Governmental Accounting and Financial Reporting.

Account Code – This is the second part of the Ascender Account Code. It is an eight digit numerical sequence consisting of the 4-digit object code and 4-digit sub-object code used to accounting purposes. Follows the Budget Code. See **Object Code** and **Sub-object Code**.

Account Number (Budget Number) – Consists of the **Budget Code** and the **Account Code**; the numerical sequence necessary to reflect budget operations and conditions, such as estimate revenues, appropriations, and encumbrances, the net balance, and other related information.

Accounting Period – A period at the end of which and for which financial statements are prepared; for example, September 1 through August 31.

Accrual Basis – Accrual accounting attempts to records the financial effects on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events, and circumstances occur rather than only in the periods in which cash is received or paid by the enterprise. Accrual accounting is concerned with the process by which cash expended on resources and activities is returned as more (or perhaps less) cash to the enterprise, not just with the beginning and end of that process. It recognizes that the buying, producing, selling, and other operations of an enterprise during a period, as well as other events that affect enterprise performance, often do not coincide with the cash receipts and payments of the period.

ADA – Average Daily Attendance. This is calculated for all days in the school year and adjusted for attendance.

Adopted Tax Rate – The total adopted rate is composed of a maintenance and operation rate (M&O) and a debt service rate (sometimes referred to as the Interest and Sinking, or I&S, rate). Rates are expressed per \$100 of taxable value.

Allocation – A part of a lump-sum appropriation, which is designated for expenditure by specific organization units and/or for special purposes, activities, or objects.

Appraisal – (1) The act of appraising; (2) The estimated value resulting from such action.

Appraise – To make an estimate of value, particularly of the value of property. Note: if the property is valued for purpose of taxation, the less-inclusive term “assess” is usually used.

Appropriation – Budget dollars that have been set aside for a particular expenditure.

Appropriation Account – A budgetary account set up to record specific authorization to spend. The account is credited with original and any supplemental appropriations and is charged with expenditures and encumbrances.

Arbitrage – In the context of government finance, the reinvestment of the proceeds of tax-exempt securities in materially higher-yielding taxable securities.

ASBO – Association of School Business Officials. An association that educate sschool professionals about financial policy, best practices, education, training, networking, and leadership.

Assess – To value property officially for the purpose of taxation. Note: the term is also sometimes used to denote the levy of taxes, but such usage is not correct because it fails to distinguish between the valuation process and the tax levy process.

Assessed Valuation – A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assets/Personal Property – Property (fixed assets or capital assets) that is generally portable and owned by an entity (sometimes leased); which has a monetary value.

Assets/Real Property – Real estate or other property owned by an entity; which has a monetary value.

Balanced Budget – A budget with total expenditures not exceeding total revenues and monies available in the fund balance within an individual fund.

Bill – A term used to denote a law or statue passed by certain legislative bodies. A bill has greater legal formality and standing than a resolution.

Board of Education – The elected or appointed body that has been created according to State law and vested with responsibilities for educational activities in a given geographical area. These bodies are sometimes called school boards, governing boards, school trustees, etc.

Bond – A written promise, generally under seal, to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed rate, usually payable periodically. The difference between a note and a bond is that the latter usually runs for a longer period of time and requires greater legal formality.

Bonded Debt – The part of debt which is covered by outstanding bonds. Sometimes called “Bonded Indebtedness.”

Bonds Issued – Bonds sold.

Bonds Payable – The face value of bonds issued and unpaid.

Budget – A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

Budget Code – This is the first part of the Ascender Account Code. It is fourteen digit numerical sequence consisting of the 3-digit fund code, 1-digit year code, 2-digit function code, 3-digit location

code, 2-digit program code, and the 3-digit budget manager code, used to accounting purposes; precedes the **Account Code**. See **Fund Code**, **Function Code**, **Location Code**, **Program Code**, and **Budget Manager Code**.

Budget Manager Code – Denotes a program, purpose, or division applicable to the revenue or expenditure; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Capital Asset – Same as **Fixed Asset**. Usually depreciated in governmental accounting

Capital Budget – A plan of proposed capital outlays and the means of financing them for the fiscal period. It is usually a part of the current budget. A capital program is sometimes referred to as a capital budget.

Capital Outlay – Expenditures which result in the acquisition of or addition to fixed assets. A fixed asset is defined as a tangible item whose expected useful life is over one year and whose value is more than \$1,000 and less than \$5,000 per item. It is not depreciated. A capital asset is defined as a tangible item (fixed asset) whose expected useful life is over one year and whose value exceeds \$5,000 per item. It is depreciated if applicable.

Capital Expenditure – charges for the acquisition at the delivered price including transportation, costs of equipment, land, buildings, or improvements of land or buildings, fixtures and other permanent improvements of land or buildings, fixtures, and other permanent improvements with a value in excess of \$5,000 and a useful life expectancy of greater than 1 year.

Capital Project – A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long term work program. It sets forth each project or other contemplated expenditure in which the local education agency is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

CDA – A Stafford investment policy that covers all financial assets under the direct control of the Department. Transactions involving the purchase, sale, and maintenance of all Department financial investments are included within the jurisdiction of this policy.

CH – A Stafford policy in which the Board delegates to the Superintendent or the Superintendent's designee the authority to determine the method of purchasing, in accordance with CH(LEGAL), and to make budgeted purchases. However, any purchase that costs or aggregates to a cost of \$50,000 or more shall require Board approval before a transaction is culminated.

CH 41 District – Under Texas law, a district is considered to be a Chapter 41 district is it above the maximum wealth per student in a fiscal year. The maximum amount of wealth per student is \$616,000. This district is often referred as a property rich district.

CH 42 District – Under Texas law, a district is considered to be a Chapter 42 district is it below the maximum wealth per student in a fiscal year. This district is often referred to as a property poor district.

Community Services – Those services, which are provided for the community as a whole, or some segment of the community and the activities are other than regular public education and adult basic education services.

Consultant – A resource person who provides assistance to the regular personnel through conference, demonstration, research, or other means.

Contracted Services – Labor, material, and other costs for services rendered by personnel who are not on the payroll of the local education agency.

Current – As used in this manual, the term has reference to the fiscal year in progress.

Current Budget – The annual budget prepared for and effective during the present fiscal year.

Current Year's Tax Levy – Taxes levied for the current fiscal period.

Debt – An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of local education agencies include bonds, warrants, and notes, etc.

Debt Service Fund – A fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all bonds.

Deficit – The excess of the expenditures of a fund over the fund's resources.

Delinquent Taxes – Taxes remaining unpaid on and after the date on which they become delinquent by statute.

Depreciate/Depreciation – [Verb] to consider something as having less value each year over a fixed period, for the calculation of income tax; [Noun] the amount or percentage by which something decreases in value over time, usually one year.

Designated Fund Balance – Management's intended use of available expendable financial resources in governmental funds reflecting actual plans approved by the Education Board.

Direct Debt – Debt that is to be repaid by the reporting government itself rather than by an overlapping or underlying government.

EFT – Electronic Funds Transfer – Electronic payments and collections.

Effective Tax Rate – tax rate would impose the same total taxes as last year if you compare properties taxed in both years – Replaced by No new Revenue Tax Rate.

Encumbrance – Commitments related to unperformed contracts for goods or services.

Enterprise Fund – Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

FASRG – Financial Accountability System Resource Guide – Describes the rules for financial accounting for Charter Schools, Education Service Centers and School Districts. Texas Administrative Code (TAC) §109.41.

Fiduciary Funds – A category of funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-

purpose trust funds, and agency funds.

Final Amended Budget – Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Financial Resources – Resources that are or will become available for spending.

Fiscal Year (FY) – A twelve-month period of time to which the annual budget applies and at the end of which the entity determines its financial position and the results of its operations.

Fixed Asset – A **permanently owned thing**; an asset of a business that is central to its operation and is not traded. Usually not depreciated in governmental accounting.

Food Service – Function 35; those activities that have as their purpose the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

FBCAD – Fort Bend County Appraisal District – Establishes the appraisal value of property within Fort Bend County. This is done to allocate taxes fairly among all taxpayers.

FBTO – Fort Bend County Tax Office – Manages automobile registration, titling, property tax services, and voter registration for Fort Bend County.

Full-time Equivalent (FTE) – is a ratio that represents the number of hours that an employee works compared to 40 hours.

Function Code – As applied to expenditures, this term has reference to an activity or service aimed at accomplishing a certain purpose; for example, Instruction, Administration, etc.; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Fund – A sum of money or other resources set-aside for specific activities of a school district. The fund accounts constitute a complete entity and all of the financial transactions for the particular fund are recorded in them.

Fund Code – 3-digit code assigned to accounts for funds with separate purposes; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Fund Balance – The difference between assets and liabilities reported in a governmental fund.

Fund Balance:

Assigned – Amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by: the Texas Legislature, or a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – represents fund balance that has not been assigned to other funds and has not been

restricted, committed or assigned to specific purposes within the general fund

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (the Texas Legislature)

Restricted – constraints placed on the use of resources are either: Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Non-Spendable – classification includes amounts that cannot be spent because they are either: Not in spendable form, or legally or contractually required to be maintained intact.

GASB – Governmental Accounting Standards Board – An independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

General Fund – A fund used to finance the ordinary operations of the local education agency. It is available for a legally authorized purpose and consists of money not specifically designated for some other particular purpose.

GFOA – Government Finance Officers Association – An association that educates professionals about financial policy, best practices, education, training, networking, and leadership.

Governmental Funds – A generic classification used by the GASB to refer to all funds other than proprietary and fiduciary funds. The General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds are the types of funds referred to as *governmental funds*.

Grant – A contribution, either money or material goods, made by an outside entity or a governmental unit to another unit and for which the contributing unit expects no repayment. Grants may be for specific or general purposes.

HCAD – Harris County Appraisal District – Establishes the appraisal value of property within Harris County. This is done to allocate taxes fairly among all taxpayers.

HCOEM – Harris County Office of Emergency Management – Helps prepare the residents and property of Harris County for disasters with training, education, and preparedness.

HCTO – Harris County Tax Office – Manages automobile registration, titling, property tax services, and voter registration for Harris County.

Internal Service Funds – Proprietary fund type that may be used to report any activities that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

I & S Tax – Interest and sinking is a term that is used interchangeably with debt service fund in discussing the components of the tax rate.

IGR – Internal Grant Resources – A program in HCDE’s Resource Development Division.

IRB – Institutional Review Board – A committee designated to review, monitor, and approve research involving humans.

ITB – Invitation to Bid – A request made by a purchaser to prospective suppliers for their competitive price quotations on goods or services.

Location Code – Denotes the physical address of the revenue or expenditure; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Levy – [Verb] To impose taxes or special assessments. [Noun] The total of taxes or special assessments imposed by a governmental unit.

MCR – Maximum Compressed Rate – This is rate calculated based on taxable values growth. Districts are still required to complete the LPVS to calculate their MCR. Once the MCR is approved by TEA, districts may adopt their 2022 tax rates in accordance with Tax Code, §26.08

Major Fund – Governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to separate opinion in the independent auditor’s report,

M & O Tax – Maintenance and operations is a term that is used interchangeably with general fund in discussing the components of the tax rate.

Modified Accrual Basis - Under the modified accrual basis of accounting, required for use by governmental funds, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

Nominal Rate – the rate that appears on the tax bills

No new revenue tax rate – The Legislature replaced the effective tax rate with this rate which is projected to provide the same revenue as the year before with adjustments to refunds and new improvements.

Object Code – As applied to expenditures, this term has reference to an article or services received; for example, payroll costs, or purchased and contracted services; part of the **Account Code**: XXXX-XXXX.

Other Resources – An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.

Other Uses – A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.

TxEIS (Ascender) Account Code – The Ascender Account Code is divided into two codes: The Budget Code (14 digit numerical sequence) and the Account Code (an 8 digit numerical sequence) These are both further described in this glossary.

Pennies – Golden Pennies

Districts can levy up to **\$0.17** pennies in Tier Two. The first **\$0.08** are “golden pennies” and the next **\$0.09** are “copper pennies.” The Legislature compressed copper pennies in the first year of HB 3. Future copper penny compression is tied to increases in the basic allotment. The first **\$0.05** golden pennies can be adopted by a simple majority of the board. Accessing **new** pennies beyond that point usually requires voter approval.

Principal of Bonds – The face value of bonds.

Professional Staff – This is a full time equivalent count of teachers, professional support staff, campus administrators, and central administrators.

Program Code – The definition of an effort to accomplish a specific objective or objectives consistent with funds or resources available; part of the **Budget Code**: XXX-X-XX-XXX-XX-XXX.

Proprietary Fund - Sometimes referred to as *income-determination, business-like, or commercial-type* fund of state or local government. Examples are enterprise funds and internal service funds.

QZAB – Qualified Zone Academy Bonds – A Federal Grant Program that provides funding for schools to renovate building and developing curricular.

Refunding – The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time.

Reimbursement – Cash or other assets received as a repayment of the cost of work or services performed, or of other expenditures made for or on behalf of another governmental unit or department, or for an individual, firm, or corporation.

Reserve – An amount set aside for a specified purpose, or an account which records a portion of the fund balance that is to be segregated for some future use and, therefore, is not available for further appropriation and expenditure.

Rollback Rate – tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures – Replaced by the Voter Approved Tax rate.

Sinking Fund – See Debt Service Fund

Special Education – This refers to the population served by programs for students with disabilities.

Special Revenue Fund – A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

State Aid – Funding from TEA for Foundation Funds and County Available Funds.

Sub-object Code – A subdivision within an expenditure object classification.

TASB – Texas Association of School Boards – A nonprofit statewide educational association that serves and represents local Texas school districts.

TEA – Texas Education Agency.

TRS – The Teacher Retirement System of Texas is a public employee retirement system that is a multiple employer defined benefit pension plan. Based on salary and wages, for FY 2005-06 State law provides for a

- State or Federal grant contribution rate of 6.0% and a
- member contribution rate of 6.4% for TRS retirement and 0.65% for TRS active care, and
- reporting entity contribution of 0.55%.

Tax Rate Components – See I & S Tax (Interest and sinking) M & O (Maintenance and Operations) Tax.

Taxes – Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit.

Unreserved and Undesignated Fund Balance – Available expendable financial resources in a governmental fund that are not the object of tentative management plans.

Voter Approved rate – This is the maximum rate that can be adopted without a Tax Ratification Election. For districts, this is 3% above the No new revenue rate plus any other allowed disaster pennies.

WADA – Weighted average daily attendance – This is the average of average daily attendance and contract hours provided to children in a period.