

HUTTO ISD BUDGET FREQUENTLY ASKED QUESTIONS

How the Budget Operates

1. How is the Hutto ISD budget funded?

The Hutto ISD budget is primarily funded through state and local sources. First, the district uses revenue from local property taxes to cover its base budget. The state then provides the balance to ensure the district meets the guaranteed funding per student.

State Funding:

- Comes from state revenue sources like the state sales tax
- The Texas Legislature sets the amount and determines the funding formulas
- Guarantees each district a certain amount per student, currently \$6,160

Local Funding:

- Comes from property taxes on homes, businesses, land, and mineral rights.
- Local school boards set the property tax rates, influenced by state funding and local property values.

2. How much money does Hutto ISD receive from property taxes?

The amount of property tax received by Hutto ISD depends on the property's taxable value, the number of students attending school, and the tax rate primarily determined by the state legislature. In the last five years, Hutto ISD has received the following amounts of property taxes:

Year	Total Tax Collections
2019 - 2020	\$39,520,738
2020 - 2021	\$40,832,300
2021 - 2022	\$49,122,234
2022-2023	\$65,910,222
2023-2024 (estimated)	\$55,952,374

3. What makes up a district budget?

Hutto ISD's budget is divided into two main funds:

1. **General Fund:** Funded by the Maintenance and Operations (M&O) tax rate.
2. **Debt Service Fund:** Funded by the Interest and Sinking (I&S) tax rate.

General Fund:

This fund includes salaries, supplies, utilities, and fuel for daily operations. For the 2024-2025 school year, the General Fund consists of the following budgetary items:

- **Payroll Costs:** \$101,801,178
 - Includes salaries, overtime, substitutes, employer-paid health insurance contributions, etc.
- **Professional and Contracted Services:** \$10,885,395
 - Includes utilities, property insurance, software, legal services, tax appraisals, internet service, copier leases, athletic game officials, etc.
- **Supplies and Materials:** \$6,203,720
 - Includes consumable instructional supplies, library books, security supplies, athletic and academic extracurricular supplies, and special education supplies.
- **Other Operating Expenditures:** \$3,172,189
 - Includes staff and student travel, conference registrations, professional membership dues, etc.

Total: \$122,062,482

4. What is the difference between the I&S and M&O tax rate?

A school district's tax rate consists of two parts:

1. **Maintenance and Operations (M&O):**

Throughout a fiscal year, the difference between the district's revenues and expenditures will either add to (surplus) or decrease (deficit) its fund balance. Hutto ISD maintains a sufficient fund balance to sustain operations during periods of negative cash flow.

Due to laws and regulations, there are limitations on using nonexpendable and restricted fund balances. The Board of Trustees allocates committed and assigned portions of the fund balance for specific purposes, including:

- Emergencies
- Small capital projects
- One-time items
- Educational equipment
- Musical instruments

The district's Board Adopted Fiscal and Budgetary Strategy requires a minimum unassigned fund balance of 25 percent of budgeted operating expenditures. Due to the timing of receipt of payments from the state of Texas and tax collections, sufficient reserves are necessary to meet ongoing monthly expenditures.

5. What are bonds, and why are they necessary?

A bond is a debt instrument through which an investor loans money to a school district. Bond proceeds are used to finance capital projects and other long-term needs. The district repays the principal of the bonds, along with interest, over a set period.

Key Points:

- Under current Texas laws, the maximum maturity of a bond is 40 years. However, Hutto ISD typically issues bonds with a maximum maturity of 30 years.
- The projects financed by these bonds usually have a longer lifespan than 30 years.
- When a bond sale occurs, bonds are issued with maturities ranging from 1 to 30 years.
- Assets financed by bonds with shorter useful lives, such as technology devices, are sold with shorter maturities that match the asset's lifespan.

Bonds are necessary to finance large-scale capital projects and long-term investments that cannot be funded through the district's regular operating budget.

6. What is a fund balance?

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Budget

7. What is Hutto ISD's Proposed Budget for the 2024-25 school year?

Hutto ISD's proposed General Fund budget for the 2024-25 school year is \$122 million. The budget represents an increase from the current budget of \$116 million for the 2023-24 school year.

8. Why would we need more money over the previous year?

- **Student Growth:**
 - The district is expected to grow by over 600 new students, necessitating additional teachers and staff to maintain a high-quality educational experience.
- **Inflation:**
 - Inflation has been 19% for Hutto ISD and much of the South region, driving the cost of supplies and materials to historic levels not seen in many years.
- **Insurance:**
 - Hutto ISD has experienced a 106% increase in property casualty insurance and a 13% one-year increase in basic employer-provided health insurance.

9. How much of the Hutto ISD budget is staff costs?

83% of Hutto ISD's 2024-2025 General Fund budget is allocated toward payroll-related costs.

10. What is Hutto ISD's expected budget shortfall for the 2024-25 school year?

Hutto ISD adopted its 2024 - 2025 General Fund budget in June 2022. Currently, Hutto ISD is expecting a budget shortfall of \$3.5 million. However, this estimate will change once property values are certified and a compensation package for all employees is determined during the remainder of the budget process.

11. Why is Hutto ISD facing a budget deficit?

Hutto ISD adopted its 2024-2025 General Fund budget in June 2022. Currently, the district is expecting a budget shortfall of \$3.5 million. However, this estimate may change once property values are certified and a compensation package for all employees is determined during the remainder of the budget process.

12. What has Hutto done to counteract the deficit?

To counteract the budget deficit, Hutto ISD has taken several measures:

1. Department Budget Reductions:

- Most departments have been asked to reduce their non-payroll budgets by 10%.

2. Software Cost Analysis:

- The district has analyzed and reduced software costs by \$345,654.

As a result of these efforts, even with the opening of Gus Almquist Middle School, non-payroll accounts have only increased by \$540,740.

13. How can Hutto ISD have budget challenges when school funding comes from local property tax revenue and local property tax bills have been rising yearly?

While local property tax revenue forms a significant part of Hutto ISD's budget, the district also relies on state aid, crucially determined by the Texas Legislature. Here's how it works:

- The state sets the total funding amount Hutto ISD can receive based on student attendance numbers.
- The district's ability to collect property taxes (known as the local effort) offsets a portion of this funding.
- If property values increase and the district collects more taxes, the state may reduce its contribution accordingly to maintain the total funding cap.

For example, if the state allows \$100 million in funding and Hutto ISD collects \$60 million in property taxes, the state fills the \$40 million gap. If property tax revenue rises to \$65 million the following year, the state might only contribute \$35 million, keeping the total funding constant.

This funding formula ensures equitable funding across all districts statewide, regardless of local property tax variations. Therefore, while local taxpayers may see increased bills, this does not translate into additional funding for Hutto ISD due to the state's funding mechanisms.

14. What does recapturing mean? Will this affect Hutto anytime soon?

Recapturing, also known as "Robin Hood" or "wealth equalization," is a 1993 Texas legislative funding plan that requires school districts with higher property wealth to contribute surplus tax revenue to the state. This revenue is then redistributed to property-poor school districts to ensure equitable funding across the state.

The plan guarantees that all school districts receive a minimum amount of funding per student to meet educational needs. Hutto ISD is expected to fall under the recapture provision, with current estimates indicating a recapture amount of \$893,411.

This process ensures that wealthier districts contribute to support districts with lower property values, aiming for fairness in education funding statewide.