

Godley ISD Budget Workshop

WE BELIEVE!
GODLEY ISD!

July 29, 2024



Agenda

- Overview of School Funding
- Property Values and Tax Rates
- General Fund
- Child Nutrition Fund
- Debt Service Fund
- Bond/Construction Fund
- Hill College Tax Rate Review
- Next Steps in Budget Calendar



School Funding Overview

The total cost in the school finance formula is a shared State and local responsibility, based on three primary variables:

1. Property Values - Are set by the local appraisal districts.
2. Tax Rates - Are set by you, the local school board.
3. Student Attendance - Is based on how many students are enrolled versus how often they attend school during the year.



School Funding Overview

Tier I refers to the district's entitlement.

The calculation is based upon:

- District characteristics
- Student characteristics
- Number of students in average daily attendance (ADA)
- Basic allotment (\$6,160)
- School district's maximum compressed tax rate

Tier II refers to the district's enrichment.

The calculation is based upon:

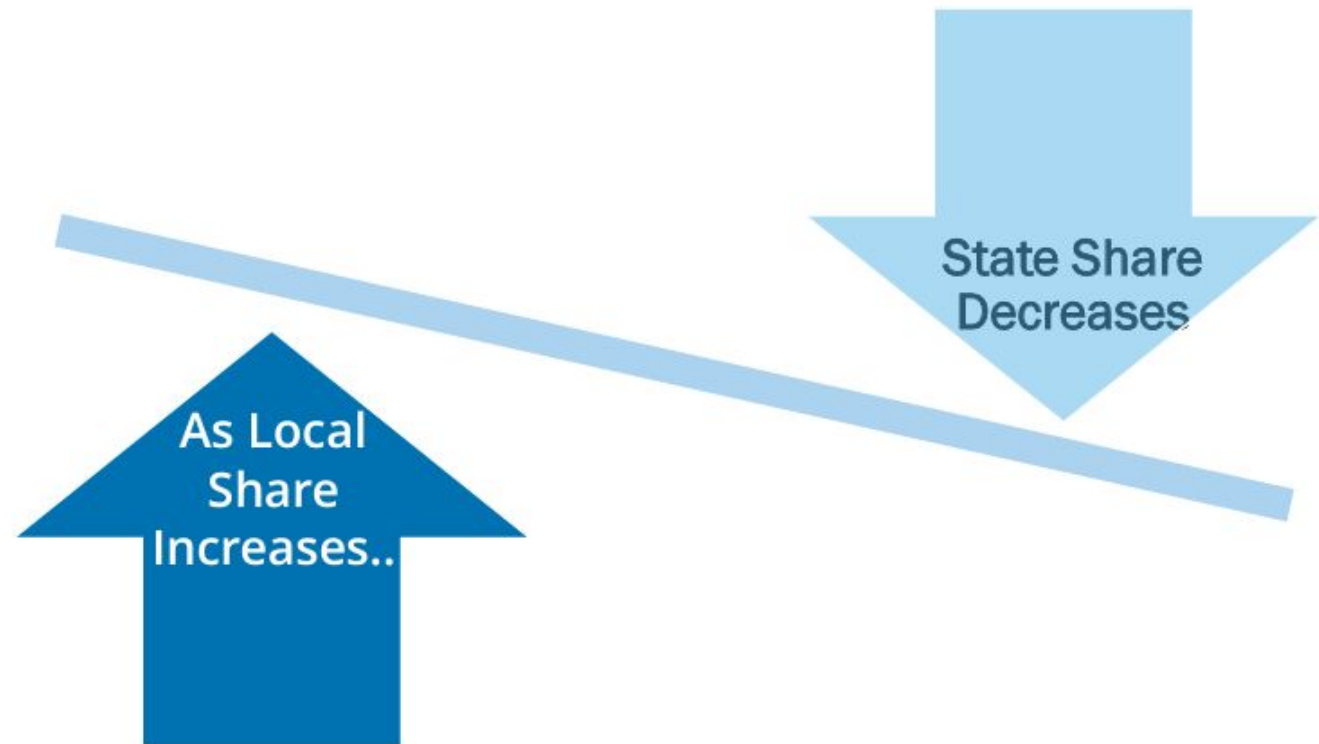
- Number of students in weighted average daily attendance (WADA)
- Guaranteed amounts for pennies of tax effort are called the Guaranteed Yield Per Penny
- Number of pennies of tax effort above the School district's maximum compressed tax rate



School Funding Overview

The current funding formula is based on a per student entitlement allocation at \$6,160.

Due to this balanced relationship, total M&O revenue **does not** automatically increase with increased property value.





School Funding Overview

Q: Godley ISD is experiencing student growth, so why do we not receive any additional revenue?

- We do receive a basic allotment for each student in attendance of \$6,160 - but most students are not in school 100% of the year.
- For each **1% drop** in student attendance, the ISD **loses** about \$300,000 in funding.
- As more students arrive, they generate on average about \$1.4 million in additional funding each year.



School Funding Overview

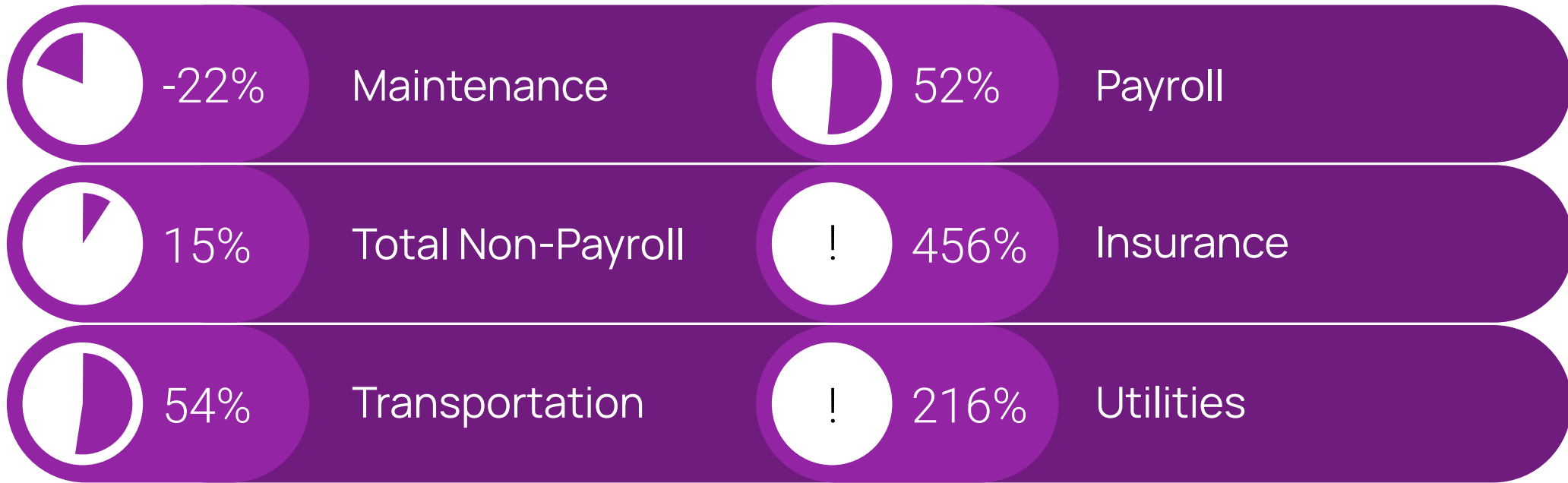
Q: My property taxes have increased, so why do you not have more funding to work with?

- Total M&O revenue does not automatically increase with increased property value.
- As Godley ISD collects more property taxes, the **State actually pays us less** - a gap that keeps growing larger.
- Due to this inverse relationship in funding, HB 3 (2019) and the continued tax compression have essentially **capped school funding at 2019 levels**, even as costs rise about \$1 million on average per year.



School Funding Overview

Examples of Cost Increases since 2019





School Funding Overview

Limiting the Use of Fund Balance

- To fight this lack of funding in spite of increased costs, we have used our fund balance to **keep teachers and staff employed**, and to continue to **provide exceptional instructional support** to our students.
- We have now come to a level where this is no longer sustainable based on current conditions and we must receive additional funds from the State - without their action, we will be faced with a new funding crisis.



School Funding Overview

What if...?

- An increase to keep pace with the level of inflation since September 2019*, would result in a basic allotment of \$7,538.
 - This would mean an increase of the entitlement by \$1,378 would give Godley ISD around **\$5.7 million in additional State Funding.**
- The local tax rate has also **decreased more than 12%** since 2019.
 - This loss in additional revenue is further widening the gap between taxes collected and the value the State is assigning to our school finance formula.

* Source US Bureau Labor and Statistics



School Funding Overview

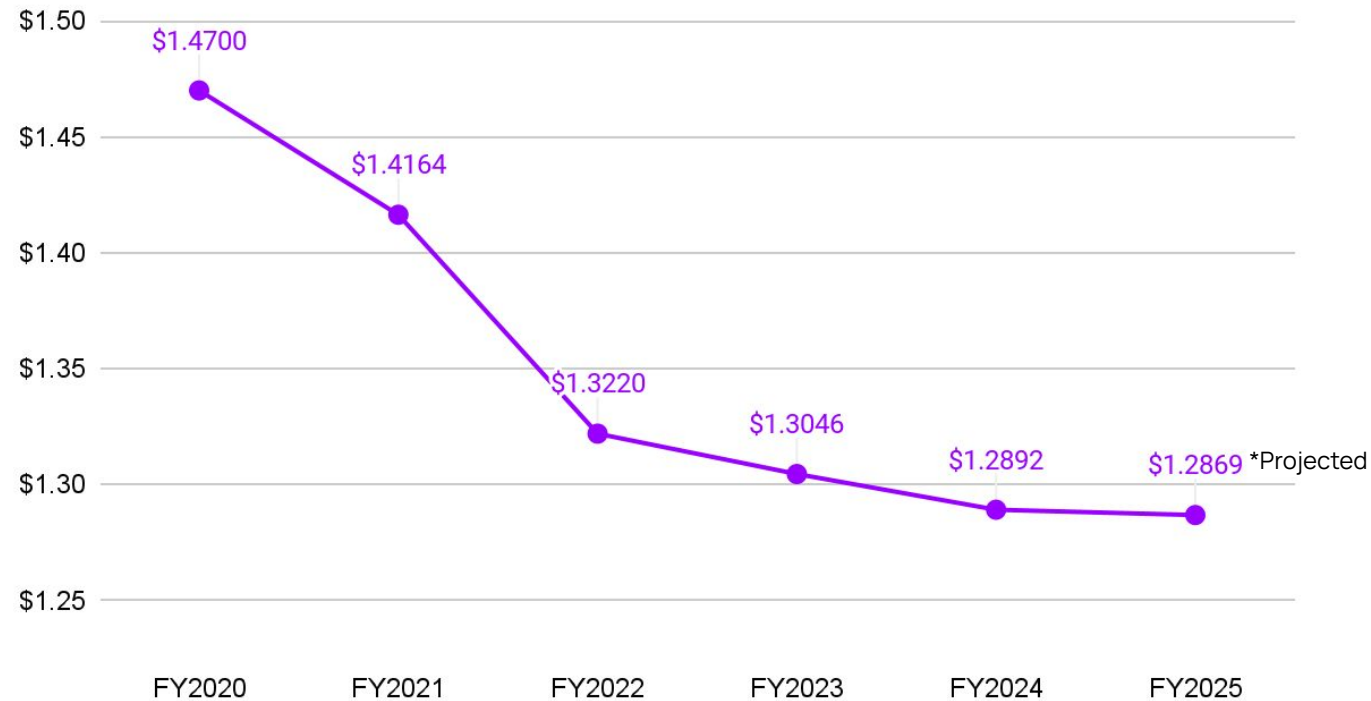
The basic allotment was last adjusted in FY 2020.





School Funding Overview

The local tax rate has continued to decrease since FY 2020.





Property Values

Certified Values as of July 25, 2024

- Total Certified Value Increase 9%*
- Total Certified Value \$1,919,353,079
- Remaining ARB Protest \$12,542,459
- Home Value Market Average \$371,638

* Note that the original estimated increase was around 14% in April.



Tax Rates

Tax Compression on Maximum Compressed Rate

- Required by TEA to receive full Tier I allotment
- Compressed for statewide property growth above 2.5%
 - Every district compresses for statewide property growth
 - Property growth estimated by the Comptroller at 2.87%

Godley's Current MCR = \$0.6192

Godley's Projected MCR = **\$0.6169**

24-25 State MCR = $0.6880 \times (1.025 / 1.0287) - 0.0000 = \0.6855



Tax Rates

Total Estimated Tax Rates for 2024-2025

- M&O Tier I = \$0.6169
- M&O Tier II = \$0.17
- I&S = \$0.50

- Total = **\$1.2869**

(Prior Year Total = \$1.2892)



General Fund

Reminder that we are going to a June Year end for the 24/25 year, so the following items will be impacted:

- 10 months worth of expenditures
- 11 months worth of revenues*
- Should see an increase in Fund Balance

We are still required to budget for a full 12 months for PEIMS reporting purposes. I will be updating you on both scenarios throughout the year.

*Removed the August 2025 FSP State revenue since that will fall within the new 2025-2026 year.



Estimated Revenue Projections

	2023/2024	2024/2025
Local M&O Tax Revenue	\$13,608,801	\$14,557,355
Other Local Revenue	\$616,890	\$626,006
Total State Revenue	\$18,962,222	\$19,129,163
Total Federal Revenue	\$296,000	\$460,000
Total Combined Revenue	\$33,483,913	\$34,772,524



Estimated Expenditure Projections

Per campus allocations were given based on the following items:

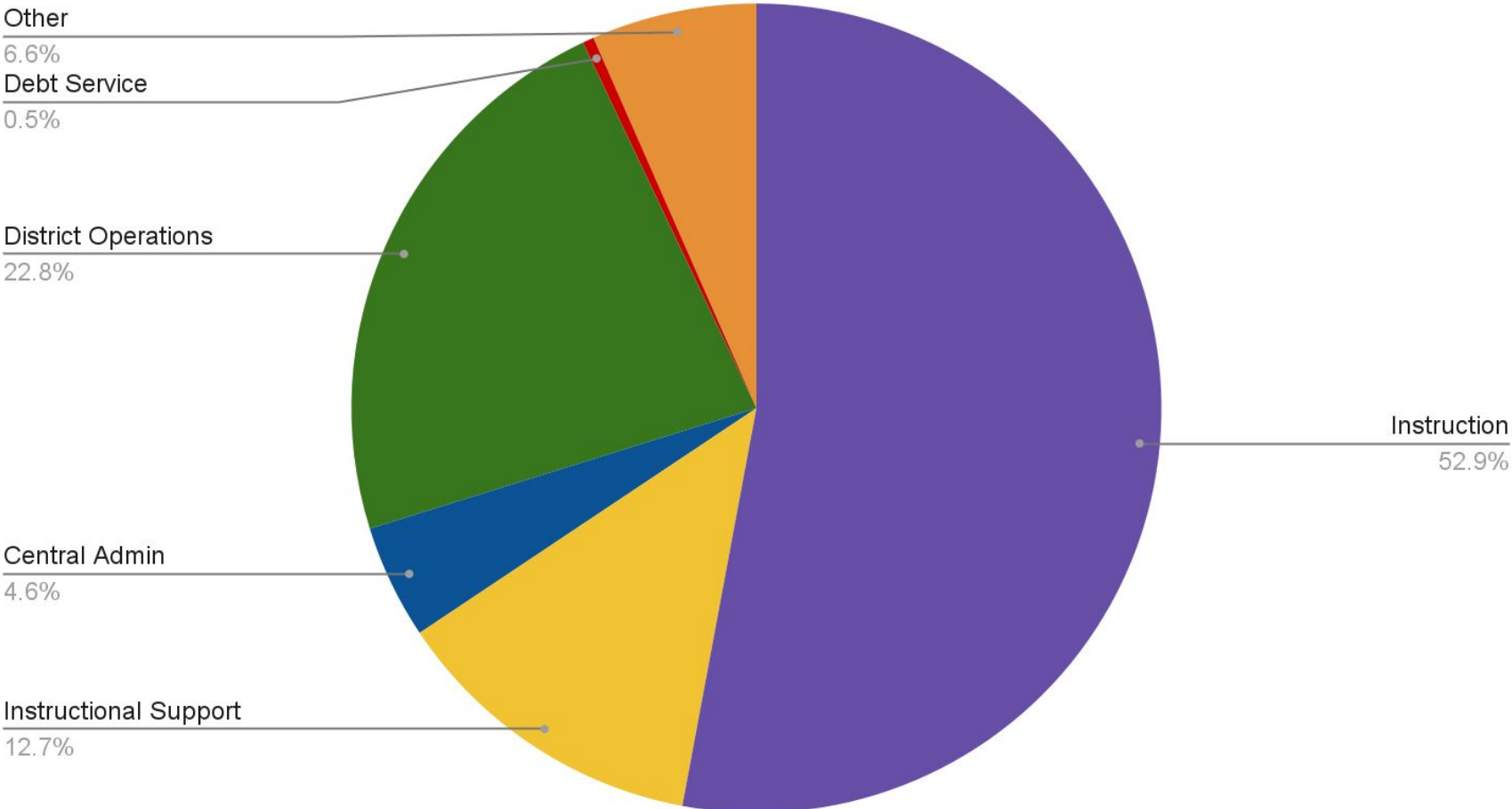
- Student enrollment
- Bilingual
- Economically disadvantaged
- Gifted and talented
- Special Education
- Dyslexia

Each campus now receives an allocation based on their student demographics to better serve their educational needs.



Estimated Expenditure Projections

2024-2025 Estimated Budget Breakdown





Fiscal Year Transition Projections

	Full Year	Transition Year
Revenue	\$34,772,524	\$32,799,465
Expenditures	\$36,517,686	\$30,603,975
Total Net	(\$1,745,162)	\$2,195,490



General Fund

Fund Balance Overview

	Fund Balance Amount	Percent of Expenditures
Projected Ending 2023-2024	\$3,005,000	8.5%
Projected Addition in 2024-2025	\$2,195,490	
Projected Ending 2024-2025	\$5,200,490	15%*

*Reminder that if we were fully funded by the State, then our fund balance would be doubled at \$10.4 million, or around 28%!



Child Nutrition Fund

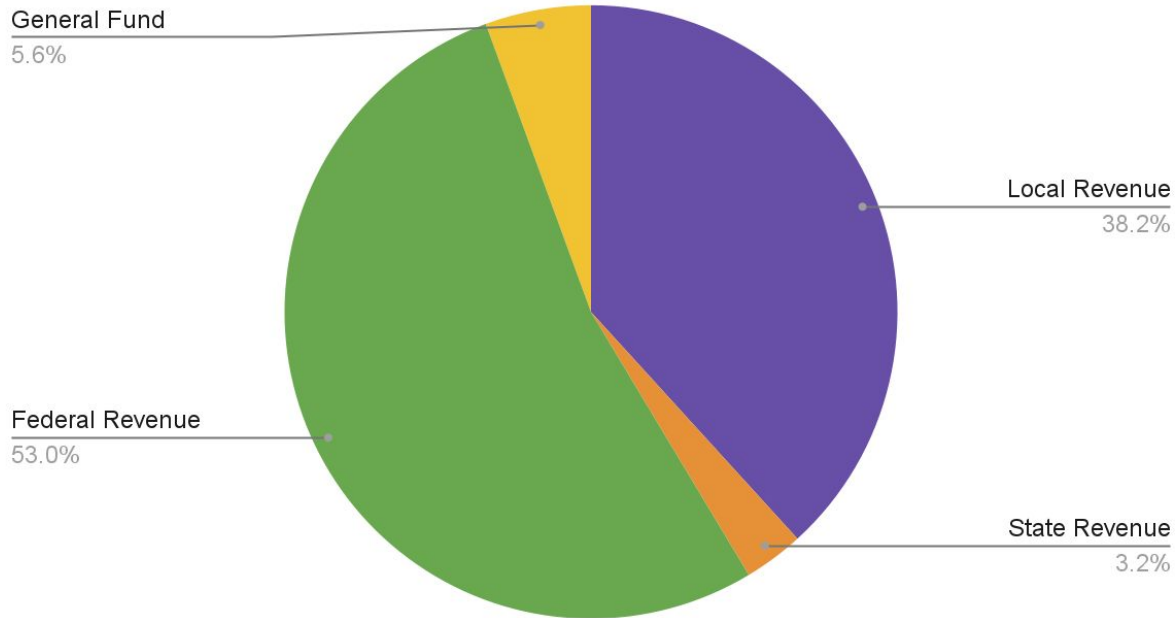
	2023/2024	2024/2025
Revenues	\$1,716,000	\$1,691,500
Expenditures	(\$1,851,000)	(\$1,955,500)
Use of Fund Balance	\$135,000*	\$164,000*
General Fund Assistance	\$0	\$100,000
Fund Balance Remaining	\$164,000	\$0

* This is a planned use of fund balance and will remain as such for the duration of each fiscal year.

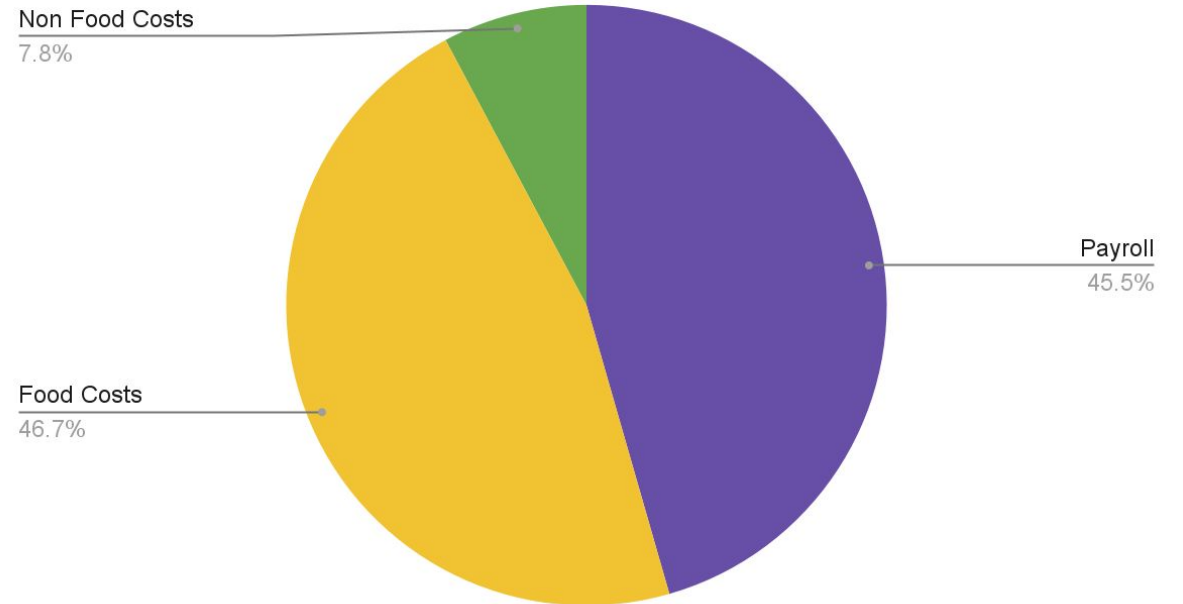


Child Nutrition Fund

Estimated Revenue 2024-2025



Estimated Expenditures 2024-2025



We are estimating that about \$100,000 will need to be transferred from the General Operating to the Child Nutrition Fund to cover the projected use of fund balance.



Debt Service Fund

Our next Bond Refunding opportunity for the 2015 Series will occur in Q4 of this year (October or November).

This will **save the district about \$891,800** in net present value savings, or 4.932% of the total refunded par value.



Debt Service Fund

	2023/2024	2024/2025
Tax and Interest Revenues	\$9,655,635	\$10,195,000
Bond Payments	(\$10,575,266)	(\$10,557,267)
Other Bond Fees	(\$6,000)	(\$6,000)
Use of Fund Balance	\$925,631*	\$368,267*
Fund Balance Remaining	\$4,465,766	\$4,097,499

* This is a planned use of fund balance and will remain as such for the duration of each fiscal year.



Bond/Construction Fund

We are currently working on closing out all projects and providing payment as required when tasks are completed.

Additionally, to ensure that we have accounted for all items, we are reconciling the bond accounts for the past four years.

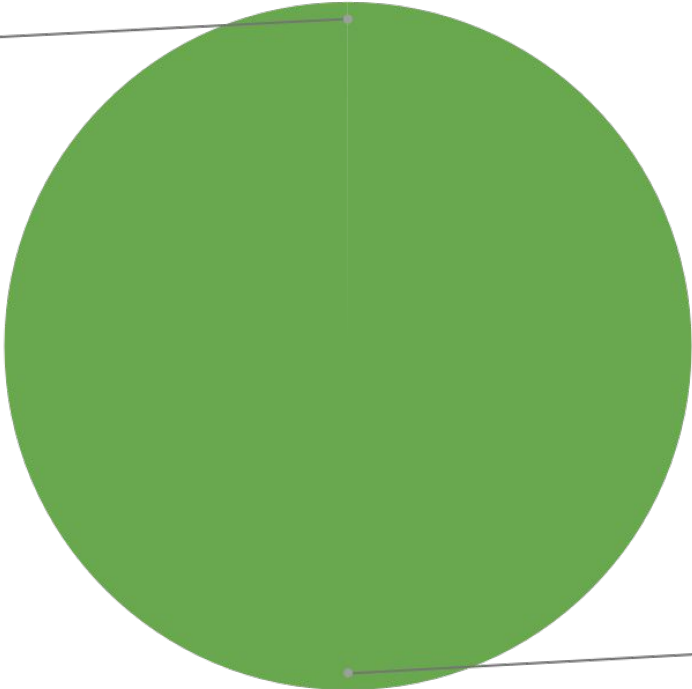
All current projects should be completed within the 2024-2025 fiscal year for accounting purposes.



Bond/Construction Fund

Ag and Tennis Area

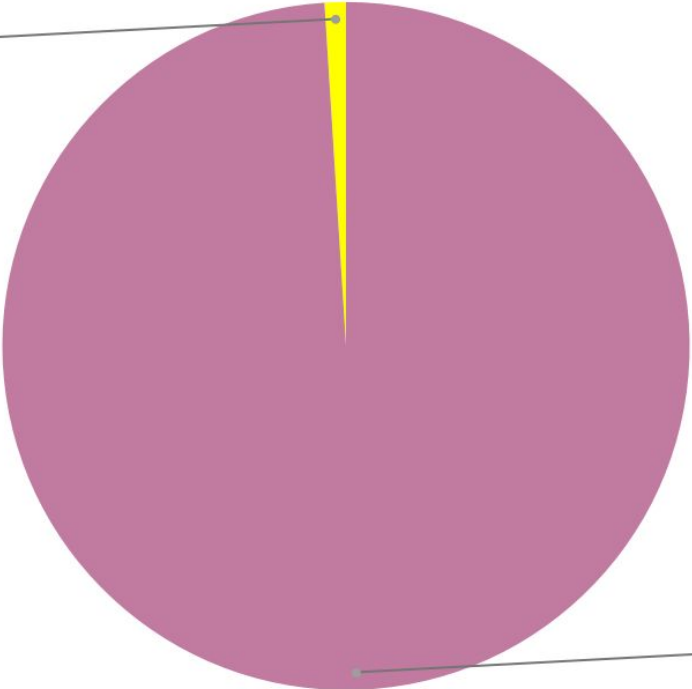
Remaining
0.0%



Completed
100.0%

Pleasant View Elementary

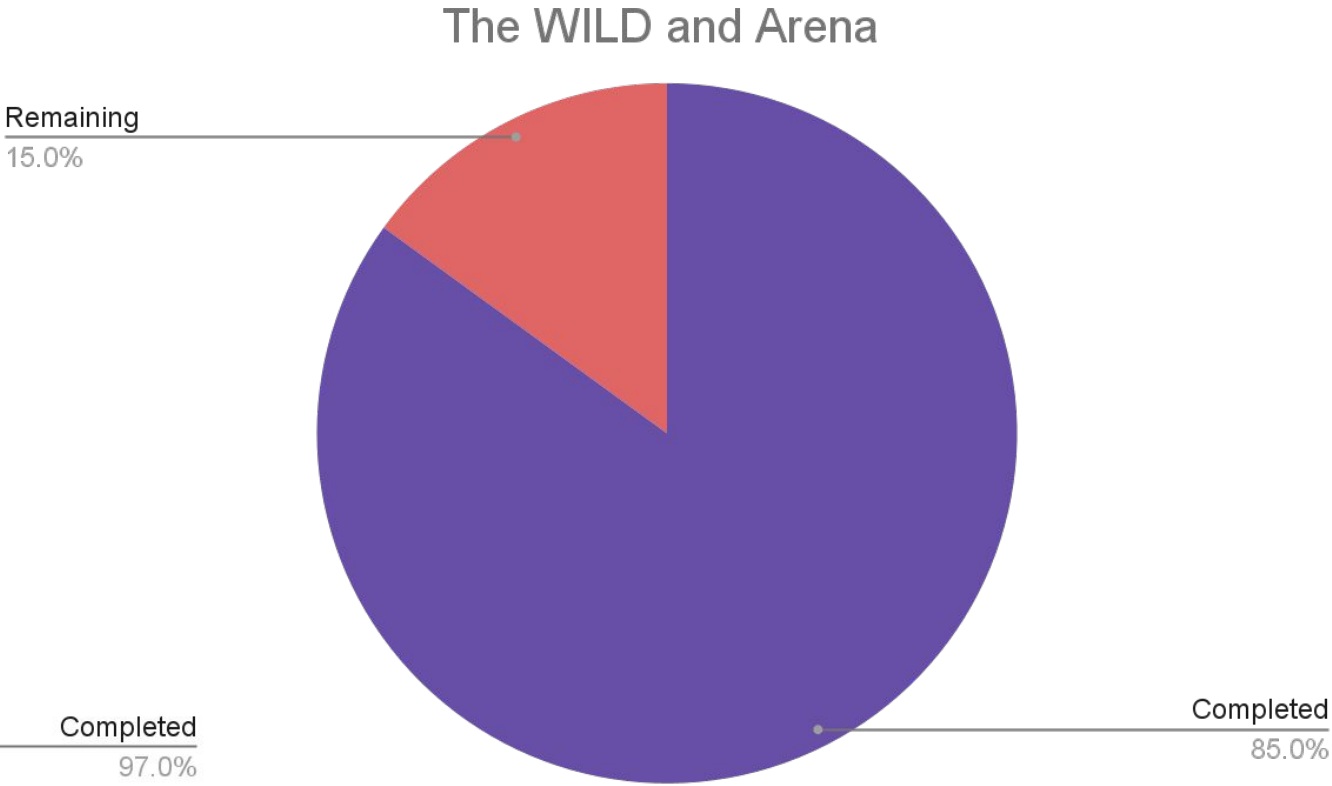
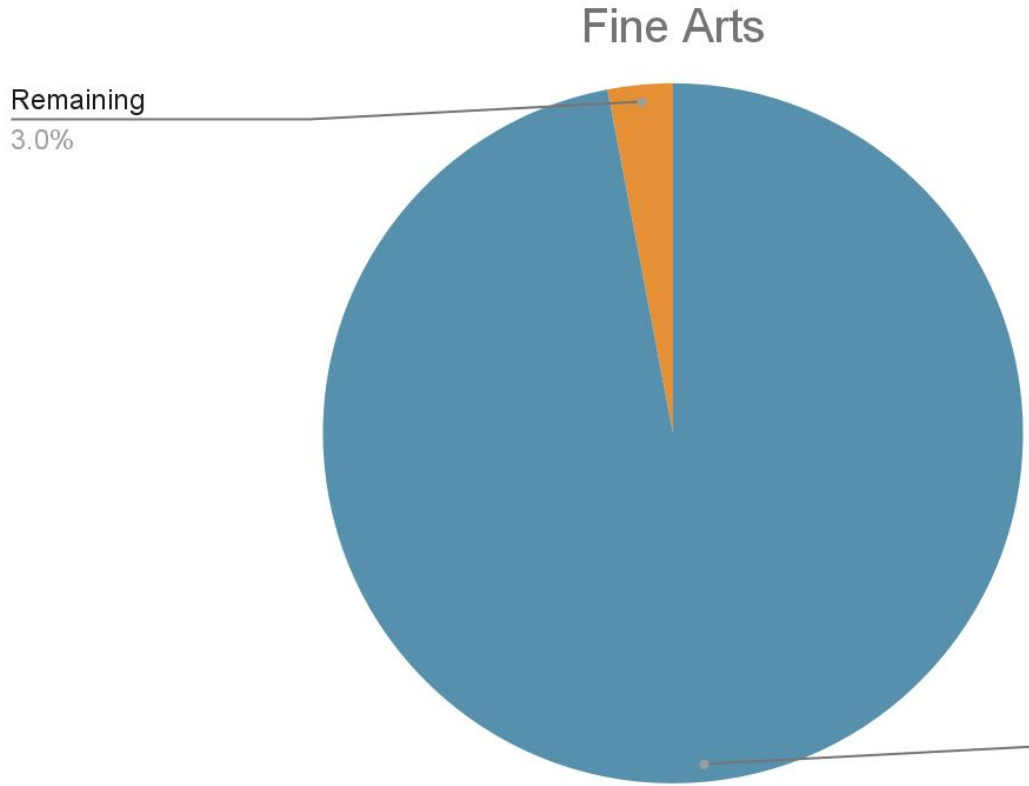
Remaining
1.0%



Completed
99.0%



Bond/Construction Fund





Hill College Tax Rate Review

Two rates are calculated by the county tax assessor:

1. No-new-revenue rate = tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years (previously called the effective tax rate) = (unknown)*
2. Voter-approval rate = maximum allowed by law without voter approval. The community college voter-approval rate allows for an 8% increase = (unknown)*

Hill College is requesting a proposed rate of (unknown)*, the voter-approval rate.

*The board will need to take action to approve the proposed rate once the information is provided to us by Hill County. (This will occur at the regular August school board meeting.)



Hill College Tax Rate Review

Q: Why do we have to set a Hill County College tax rate?

- The Governing Boards of all 50 Texas community college districts are required by state law to levy annual ad valorem taxes for the maintenance and operation of district facilities (M&O taxes). They may also levy taxes to finance repayment of bonds issued for capital projects, like constructing buildings and purchasing land (I&S taxes).
- State law also mandates that each district calculate a “rollback rate”, which is the tax rate under which the same property would produce the same tax revenue plus 8% (under current law). If the assessed tax rate exceeds the rollback rate, the district must hold an election to obtain voter approval.



Hill College Tax Rate Review

There are three possible scenarios:

1. If the proposed rate does not exceed the no-new-revenue rate or the voter-approval rate, a “Notice of Meeting to Vote on Tax Rate” is published and the board adopts the rate at a meeting at least seven days after publishing the notice. This is not a public hearing.
2. If the proposed rate exceeds the no-new-revenue rate, but not the voter-approval rate, a “Notice of Public Hearing on Tax Increase” is published and a public hearing is held at least seven days after publishing this notice. The board votes to adopt the tax rate after the public hearing (same meeting).
3. If the proposed rate exceeds the voter-approval rate, a “Notice of Public Hearing on Tax Increase” is published, a public hearing is held, and an election is held for voters to approve or reject the rate.



Next Steps

2024-2025 School Year

- July 29, 2024: Initial view of the 24/25 Budget
- August 3, 2024: MCR approval received from TEA
- **August 12, 2024:** Detailed view of the 24/25 Budget at Workshop
- August 13, 2024: Publish “Notice of Public Meeting”
- August 16, 2024: Publish Preliminary 24/25 Budget online
- **August 26, 2024:** Consider and adopt the 24/25 Budget and the 2024 Tax Rates. (Will also consider and approve the 23/24 Final Budget Amendment to close out that year).