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Budget Basics

Presenter

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Objectives

- ✓ Budget requirements and approaches
- ✓ Budget calendar and development process
- ✓ Information needed to develop a budget
- ✓ Revenue and Expenditure projections
- ✓ Budget presentation
- ✓ Monitoring budget and forecasting
- ✓ Budget amendments
- ✓ Resources

Budget Requirements

✓ Legal and TEA Requirements

- Texas Education Code 44.002-44.006
- For fiscal years ending August 31, budget must be prepared by August 20 and adopted by the Board of Trustees no later than August 31
- For fiscal years ending June 30, budget must be prepared by June 19 and adopted by the Board of Trustees no later than June 30

✓ Develop a calendar working backwards from adoption date

Budget Requirements

✓Legal and TEA Requirements

- Public meeting to be held to adopt budget
- Public notice must appear in local newspaper, 10 days prior
 - Specific content and format required
 - Specific requirement for size (1/4 page) and font (18-point or larger)
- Follow guidance in [Truth-in-Taxation](#) Guide from Texas Comptroller's Office
- Adopt budget before adopting tax rate

NOTICE OF PUBLIC MEETING TO DISCUSS BUDGET AND PROPOSED TAX RATE

The Southwest Independent School District will hold a public meeting at 7:30 PM, August 15, 2020 in an online platform. Due to health concerns public participation may be limited to a videoconference format using Zoom. A link to the meeting and instructions on public input may be found on the ISD's website [www.isd.net](#). The purpose of this meeting is to discuss the school district's budget that will determine the tax rate that will be adopted. Public participation in the discussion is invited.

The tax rate that is ultimately adopted at this meeting or at a separate meeting at a later date may not exceed the proposed rate shown below unless the district publishes a revised notice containing the same information and comparisons set out below and holds another public meeting to discuss the revised notice.

Maintenance Tax	\$0.999999/100 (proposed rate for maintenance and operations)
School Debt Service Tax	\$0.438104/100 (proposed rate to pay bonded indebtedness)
Approved by Local Voters	

Comparison of Proposed Budget with Last Year's Budget

The applicable percentage increase or decrease (or difference) in the amount budgeted in the preceding fiscal year and the amount budgeted for the fiscal year that begins during the current tax year is indicated for each of the following expenditure categories.

Maintenance and operations	-0.00% decrease
Debt Service	2.12% increase
Total expenditures	0.17% increase

Total Assessed Value and Total Taxable Value (as calculated under Section 26.04, Tax Code)

	Proposed Tax Year	Current Tax Year
Total assessed value** of all property	\$4,472,366,052	\$4,711,184,551
Total assessed value** of new property**	\$16,631,485	\$146,233,072
Total taxable value*** of all property	\$3,902,750,005	\$4,564,951,479
Total taxable value*** of new property**	\$75,091,013	\$176,425,200

**Assessed value is the amount shown on the appraisal roll and defined by Section 1.04(b), Tax Code.
***"New property" is defined by Section 26.01(1)(1), Tax Code.
****"Taxable value" is defined by Section 1.04(1)(1), Tax Code.

Bonded Indebtedness

Total amount of outstanding and unpaid bonded indebtedness: \$276,043,212

*Outstanding principal.

Comparison of Proposed Rates with Last Year's Rates

	Maintenance & Operations	Interest & Sinking Fund*	Total	Local Revenue Per Student	State Revenue Per Student
Last Year's Rate	\$1.034800	\$0.438104*	\$1.472904	\$4.427	\$7.304
Rate to Maintain Same Level of Maintenance & Operations Revenue & Pay Debt Service	\$1.015628	\$0.438104*	\$1.453732	\$4.502	\$7.214
Proposed Rate	\$0.999999	\$0.438104*	\$1.438004	\$4.552	\$7.238

The Interest & Sinking Fund tax revenue is used to pay for bonded indebtedness on construction, equipment, or both. The bonds, and the tax rate necessary to pay those bonds, were approved by the voters of this district.

Comparison of Proposed Levy with Last Year's Levy on Average Residence

	Last Year	This Year
Average Market Value of Residences	\$134,888	\$144,983
Average Taxable Value of Residences	\$101,651	\$111,296
Last Year's Rate Versus Proposed Rate per \$100 Value	\$1.472904	\$1.438004
Taxes Due on Average Residence	\$1,497.31	\$1,587.36
Increase (Decrease) in Taxes		\$100.25

Under state law, the dollar amount of school taxes imposed on the residence heretofore of a person 18 years of age or older at the beginning of such a year, if the surviving spouse was 18 years of age or older when the person died, may not be increased above the amount paid in the first year after the person turned 18, regardless of changes in tax rate or property value.

Notice of Voter Approval Rate: The highest tax rate the district can adopt before requiring voter approval at an election is \$1.438104. This election will be automatically held if the district adopts a rate in excess of the voter-approved rate of \$1.438104.

Fund Balances

The following estimated balances will remain at the end of the current fiscal year and are not encumbered with or by a corresponding debt obligation, less estimated funds necessary for operating the district before receipt of the first state aid payment.

Maintenance and Operations Fund Balances(s)	\$45,590,543
Interest & Sinking Fund Balances(s)	\$1,014,549

A school district may not increase the district's maintenance and operations tax rate to create a surplus in maintenance and operations tax revenue for the purpose of paying the district's debt service.

Budget Approaches

✓ Different Types of Budgeting Methods

- Line-Item Budgeting
- Performance Budgeting
- Program Budgeting or Planning-Programming Budgeting
- Zero-Based Budgeting
- Site-Based Budgeting

✓ Most districts will use a hybrid version of these methods

Line-Item Budgeting

- ✓ Most widely utilized approach
- ✓ Simple to use
- ✓ Easy to control
- ✓ Referred to as the “historical approach”
- ✓ Budget requests are often based on historical data
- ✓ Hybrid approach
 - Campuses and departments submit a line-item budget to business office
 - Board approves at fund, function level

Performance Budgeting

- ✓ Focuses of efficiency
- ✓ Budget may be considered a “performance contract” between Superintendent and School Board
- ✓ Example
 - Budget for school cafeteria might be developed based on the number of meals that are produced multiplied by the average cost of producing a meal

Program and Planning-Programming Budgeting

- ✓ Expenditures based primarily on programs of work, secondarily on objects
- ✓ Budget requests submitted in terms of broad programs and include long-term costs
- ✓ Emphasis on fundamental objectives of district and long-term goals
- ✓ Program budgets may be difficult to administer since many programs and related expenses cut across organizational units

Zero-Based Budgeting

- ✓ Evaluation of all program activities and services annually
- ✓ May be useful if overall spending needs to be reduced

Site-Based Budgeting

- ✓ Most practical for school districts, allowing for greater control and reporting at campus or department level
- ✓ Budget method used for campus and department allocations
- ✓ Gives principals and department leaders and the ability to serve as effective instructional leaders and authority to act as budget managers
- ✓ Hybrid approach
 - Combine with another method previously discussed

Budget Calendar and Development Process



- ✓ Budget development begins with comprehensive Needs Assessments
- ✓ Needs Assessments are used to build Campus Improvement Plans
 - ✓ Determine performance objectives, identify goals, and determine resources needed
 - ✓ Set timelines and measure progress

Budget Calendar – July 1 Fiscal Year

November/December

- Prepare enrollment projections for next year
- Review/adjust staffing allocations
- Preliminary revenue projections
- Provide training to campuses/departments

January/February

- Campuses and departments work on organization level budgets
- Begin Budget workshops with Board

Budget Calendar – July 1 Fiscal Year

March

- Administrative team reviews position and major purchase requests from campuses/departments and program requests
- Update enrollment projections
- Review campus staffing allocations

April

- Using preliminary property value estimates from County Appraisal District (CAD), work on revenue estimates for M&O and I&S
- Compare peer district data for salary increases and salary matrix adjustments
- Feedback to principals and department administrators on submitted budgets
- Data entry of budget into financial system

Budget Calendar – July 1 Fiscal Year

May

- If legislative year, hope for the best!
- Finalize staffing allocations
- Finalize data entry for expenditures
- Proposed budgets to Board (General Fund, Debt Service, Food Service)

June

- Publish notices for public hearing and post proposed budget on website
- Conduct public meeting to discuss budget and tax rate
- Adoption of budget by June 30
- Final budget amendment for current year

Budget Calendar – July 1 Fiscal Year

July/August

- Inform budget managers at campuses/ departments when new budget has been loaded in general ledger
- Certified property values from CAD
- If proposed tax rate is different than June's notice, prepare and publish tax rate notice
- Tax rate adoption for new year

Budget Calendar – September 1 Fiscal Year

January/February

- Prepare enrollment projections for next year
- Review/adjust staffing allocations
- Preliminary revenue projections
- Meet with campus principals and department heads on line-item budgets

March

- Campuses and departments work on organization level budgets
- Begin Budget workshops with Board
- Compare peer district data for salary increases and salary matrix adjustments

Budget Calendar – September 1 Fiscal Year

April/May

- Administrative team reviews estimated revenues/expenditures, staffing requests and capital outlay requests
- Feedback to principals and department administrators on submitted budgets
- Using preliminary property value estimates from County Appraisal District (CAD), work on revenue estimates for M&O and I&S
- Data entry of budget into financial system
- Update enrollment projections

Budget Calendar – September 1 Fiscal Year

May/June

- If legislative year, hope for the best!
- Finalize staffing allocations
- Finalize data entry for expenditures
- Continue budget workshops with Board
- Staffing salary study results and staff satisfaction survey

July

- Continue budget workshops with Board
- In late July, obtain certified property values from CAD
- Finalize revenue estimates

Budget Calendar – September 1 Fiscal Year

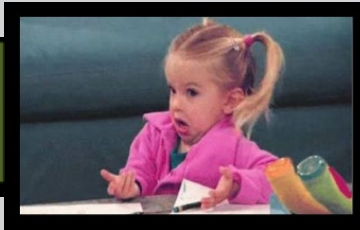
August

- Prepare and publish budget and tax notice
- Conduct public hearing for budget and tax rate
- Budget and tax rate adoption for new year
- Final budget amendment for current year

September

- Inform budget managers at campuses/departments when new budget has been loaded in general ledger

My reaction when I need more money and the CFO asks where all my campus money went



Information Needed for Budget Development

✓ District records

- General Ledger reports
- Data queries
- Personnel/staffing reports
- Facilities information, such as square footages of buildings
- Annual audit report
- Student/PEIMS reports
- Demographic reports

Information Needed for Budget Development

✓ Comparison Tools

- TAPR Reports – Available on TEA website
 - See District student information and District staff information for demographics and state comparisons
- TEA Standard Reports
 - Examples: Staff FTE and Salary Reports; Enrollment Reports
- FIRST – Available on TEA website
- Forecast5 – Available through TASBO
 - Able to create reports/visuals and customize comparisons to other Districts or campuses
- TASB
 - Salary Survey Reports for Superintendents, Teachers, Staff, and Stipends; Custom salary and staffing reports

Revenue Projections

✓ ADA Information

- PEIMS Info – Superintendent Semester Summary Report (each 6-weeks period)
- Pupil Projections – Template available on TASBO website; Demographer reports
- Know your District – subdivision development; housing projects; industry moving in or out; charter or private school activity

Revenue Projections

✓ Property Tax Values and Collections

- County Appraisal District
 - Estimated taxable property values to be certified by April 30
 - Final certified values in late July
- Build a relationship with the CAD staff
- Comptroller Property Tax Division (CPTD) reports
 - 2020 Preliminary Findings issued in January 2021
 - 2020 Final Findings certified in August 2021
- Tax Collection Rate Percentage
 - Historical value for your district

Revenue Projections

✓ Local Revenue (57xx)

- Property Tax Collections – current, delinquent, penalties
- Investment Earnings
- Athletic Revenues
- Donations
- Facility Rentals
- Other/Miscellaneous Revenues

✓ Federal Revenue (59xx)

- Medicaid/SHARS
- Indirect Costs from Federal Grants
- Impact Aid
- JROTC Programs

Revenue Projections

✓ State Revenue (58xx)

- Template Options
 - [ESC Region 13](#) – provided by Omar Garcia of BOK Financial Securities
 - [TEA State Aid Template](#)
 - [TASBO Center for School Finance](#)
- Use template to determine revenue
- Update throughout the year with current data

Revenue Projections

✓ Food Service Revenues

- Meal Sales and Prices
- National School Lunch and Breakfast Program reimbursements
 - Rates change annually
 - [TDA Square Meals website](#)
- Commodities
- Catering Revenue

Revenue Projections

✓ Debt Service Revenues

- Local property tax collections
- Based on I&S tax rate and assessed values
- Investment Earnings
- State Aid – IFA and EDA

Expenditure Projections

✓ Salaries and Benefits(61xx)

- Largest portion of district budget (80-87%)
- Projected salary increases
- Position vacancies
- Substitute and overtime costs
- Benefits

✓ Contracted Services (62xx)

- Utilities
- Contracts
- Inflation

Expenditure Projections

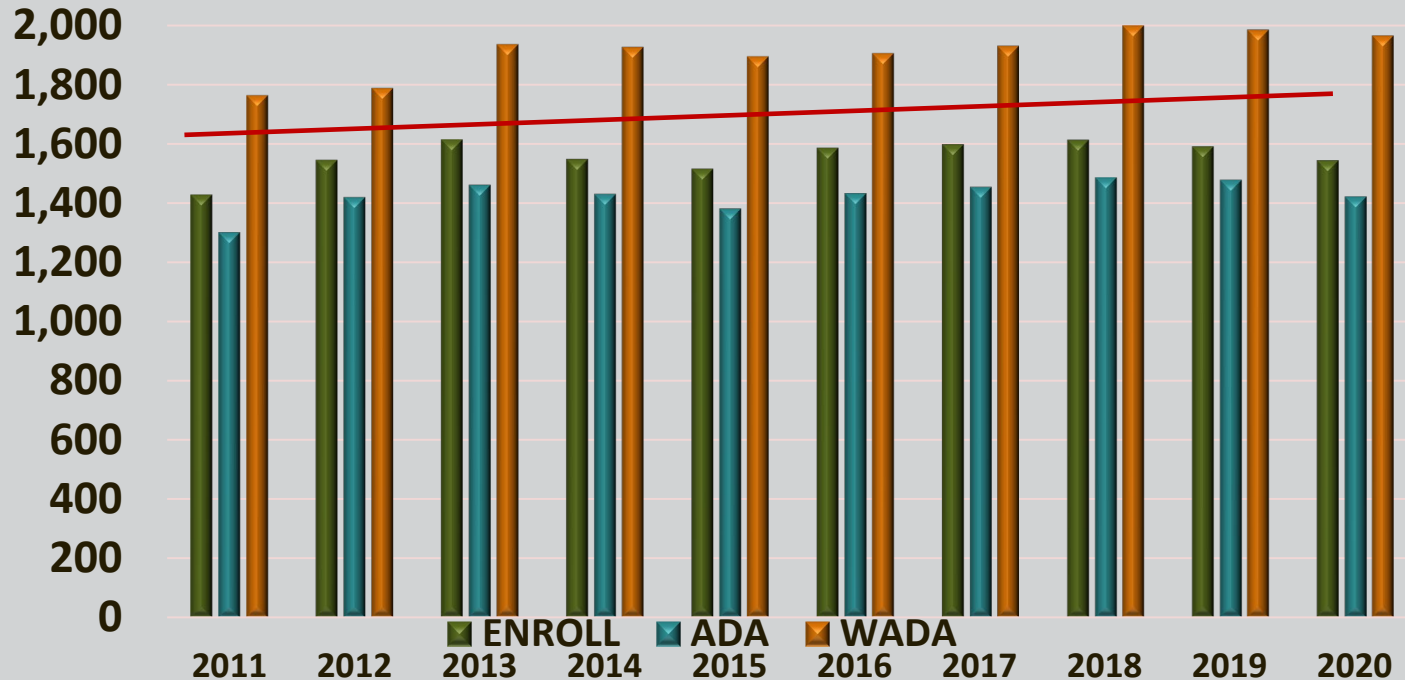
- ✓ Supplies and Materials (63xx)
 - Inflation
- ✓ Other Operating Expenses (64xx)
 - Travel
 - Dues
 - Insurance
 - Awards
 - Miscellaneous
- ✓ Capital Outlay (66xx)
 - One-time expenditures
 - Replacement schedules

Budget Presentation

- ✓ Work with Superintendent to schedule workshops and budget hearing
- ✓ If new to the District, find out what the Board has traditionally been provided in regards to budget documents
- ✓ Some TTWWADI may be needed for consistency, but consider new or additional charts and graphs to present the information
- ✓ Include executive summary and budget reports by function for the general, food service, and debt service funds

Budget Presentation

Sample Chart comparing Enrollment, ADA, and WADA



Budget Presentation

- ✓ Award programs for budget presentations
 - Association of School Business Officials International – Meritorious Budget Award
 - Government Finance Officers Association (GFOA) – Distinguished Budget Presentation Award Program

Monitoring the Budget

- ✓ Review monthly revenue and expenditure reports – look for reasonableness and unusual fluctuations
- ✓ Review six-weeks attendance reports and compare to prior year and budgeted attendance
- ✓ Review program expenditures for required spending on allotments
- ✓ Work with campuses and departments regarding coding of staff

Budget Amendments

- ✓ The budget is a living document
- ✓ Amend revenue when significant changes are noted, such as in budgeted ADA
- ✓ Monitor function totals and amend if it appears that function total will be exceeded during the year
- ✓ Board approval will be needed at the function level
- ✓ Review at fiscal year-end and amend as needed with Board approval

Resources

- [TEA Website](#)
- [TEA Finance Accountability System Resource Guide \(FASRG\)](#)
- TEA ListServ email messages – Register [here](#)
- [ESC Region 13 Finance – SOF Template](#)
- [ESC Region 12 – Budget Posting Templates](#)
- [Texas State Comptroller](#)
- [TASBO Website](#)

Thank you!

The last
expenditure upon
which America
should be willing to
economize is
education.

Franklin D. Roosevelt

