



**2020-21**

## **School Finance 101**



# Overview of Education Funding

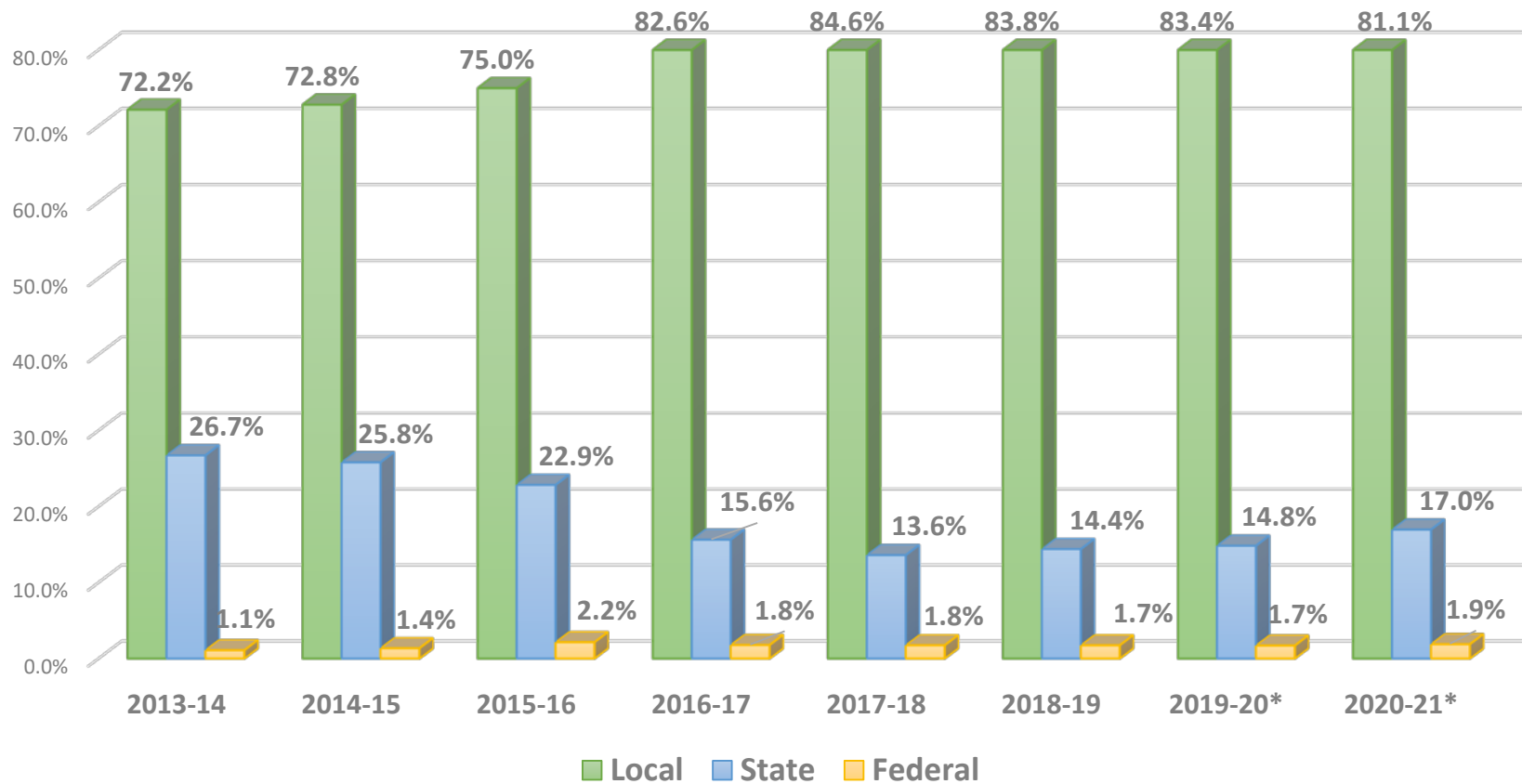
## Primary funding sources for public education

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

## Foundation School Program (FSP)

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

# General Fund Revenue Sources



\*Projected

## BUDGET DEVELOPMENT



<b>General Fund</b>	<b>\$M</b>				
		<b>2018-19 Actual</b>	<b>2019-20 Current Budget</b>	<b>2019-20 Forecasted Actuals</b>	<b>2020-21 Proposed Budget</b>
Local Revenue		250.8	245.1	249.3	250.8
State Revenue		43.1	45.9	41.9	52.5
Prior Year Adjustment		-	-	2.5	-
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Total Expenditures		293.4	298.1	297.5	310.7
SURPLUS/(DEFICIT)		5.8	(2.5)	1.3	(0.0)
Beginning Fund Balance		100.3	106.1	106.1	107.4
Ending Fund Balance		106.1	103.6	107.4	107.4
Months of Fund Balance		4.3	4.2	4.3	4.1



## Property taxes are the largest funding source for the Texas public school system



The interest and sinking fund can only be used to pay the principal of and interest on the bonds as or before the principal and interest become due.

The Maintenance and Operations Fund is used to pay for most of the day-to-day expenditures. Typical expenditures include salaries, employee benefits, supplies, materials, utilities, fuel, food services, maintenance and repair services.

## Local Revenue

Before HB3 school districts authorized to levy an M&O tax rate of up to \$1.17 per \$100 value

Value of one penny can vary greatly between districts depending on local property values

Key factors influencing local property tax revenues

- » Tax rate
- » Revaluation of existing property
- » Value from new growth
- » Collection percentage
- » Frozen values

## Foundation School Program (FSP)

### Maintenance & Operation (M&O)

Generally, the costs of running the school district



### Interest & Sinking (I&S)

To make bond payments

#### Tier 1 Basic Instructional Program

Regular Program Allotment

Special Purpose Allotments

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

#### Tier 2 Enrichment

Tier 2: Level 1 Golden Pennies

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

Tier 2: Level 2 Copper Pennies

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

#### State Funding

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

#### Local Funding

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

## Key Factors Influencing State Aid

Basic allotment (Tier 1)

Student demographics & Average  
Daily Attendance (Tier 1)

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

Guaranteed yield (Tier 2)

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





## Chapter 48 & Chapter 49 Districts

Ch. 48: Because value of a penny can vary, provides a guaranteed yield on each penny of M&O tax effort levied by property-poor districts

Property wealthy districts whose wealth per student exceeds an established wealth level are subject to recapture

*CFB ISD is subject to recapture*

Ch. 49 wealth per student is less



## Tier 1

Basic allotment of \$6,160/student plus many special purpose allotments (Comp Ed, SPED, BIL, GT, Early Education, et al.)

Set by state legislature each biennium

District “Local Fund Assignment” determined by using CPTD estimate for property value applied to the M&O rate

As CPTD grows, districts receive less state aid

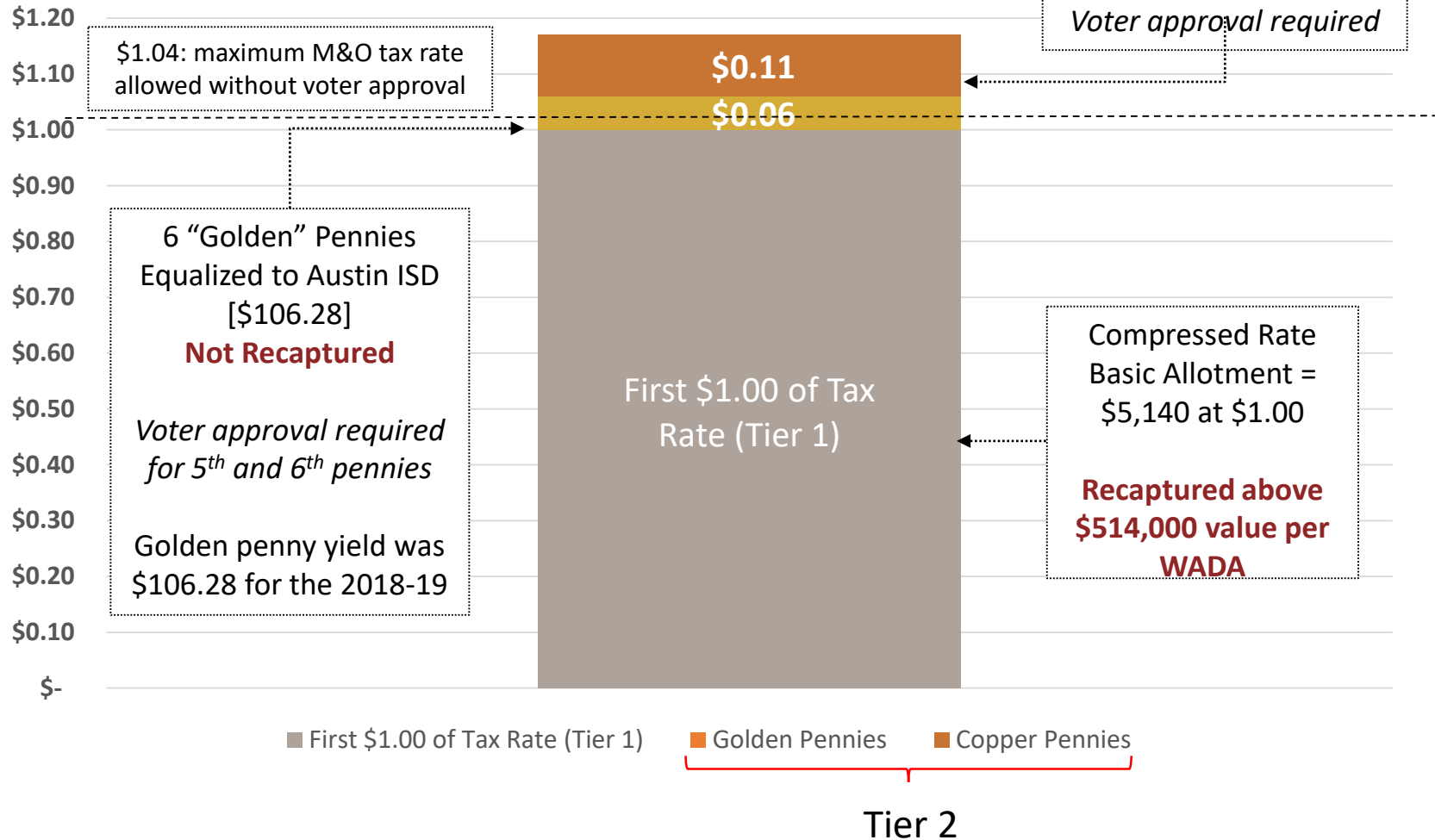
Tier I subject to recapture if district portion is more than entitlement allowed by state

CFB recapture expected to be in excess of \$17M this year

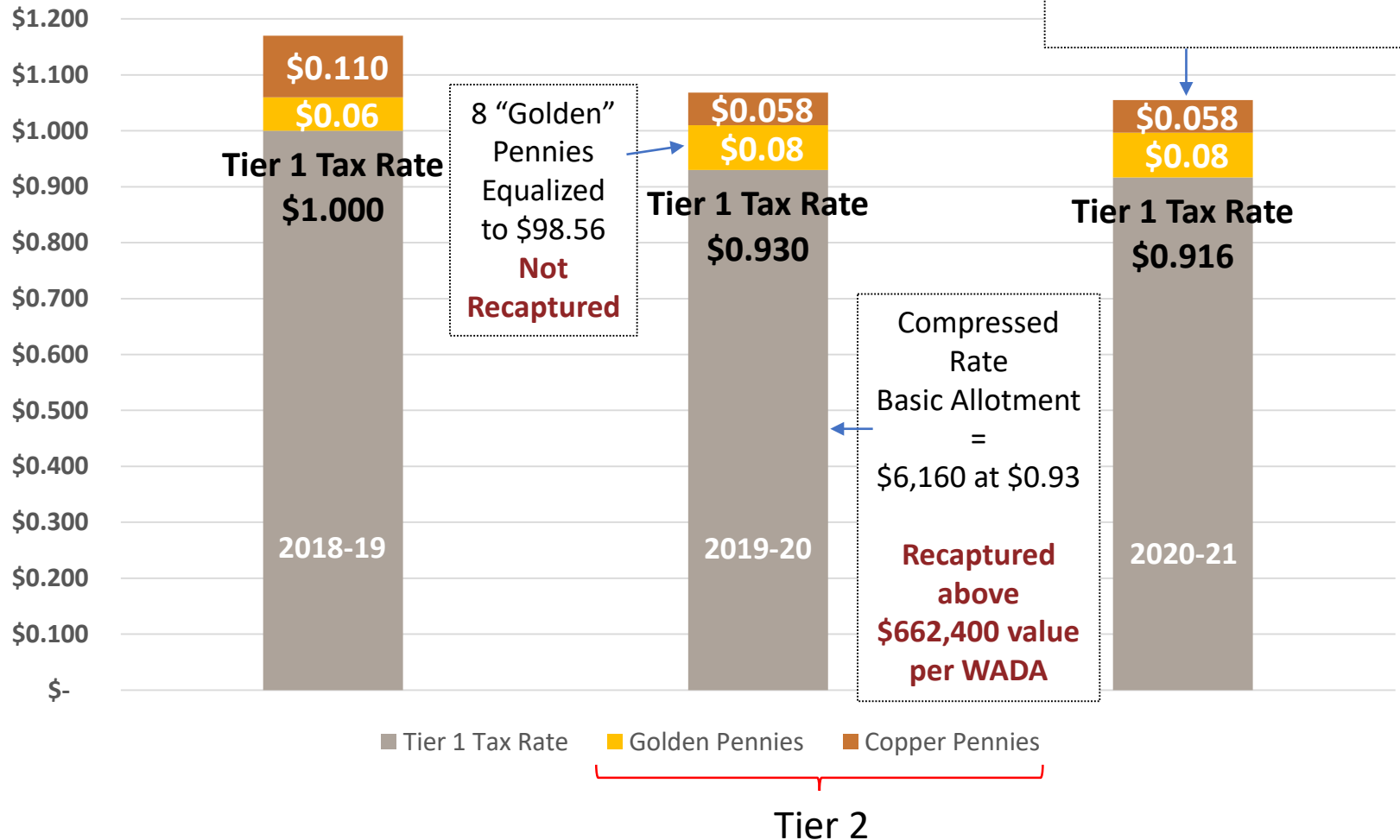
## 2020-21 Proposed Budget Tier 1 Funding

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

## Equalized Wealth Levels (pre HB3)



## Equalized Wealth Levels (HB3)





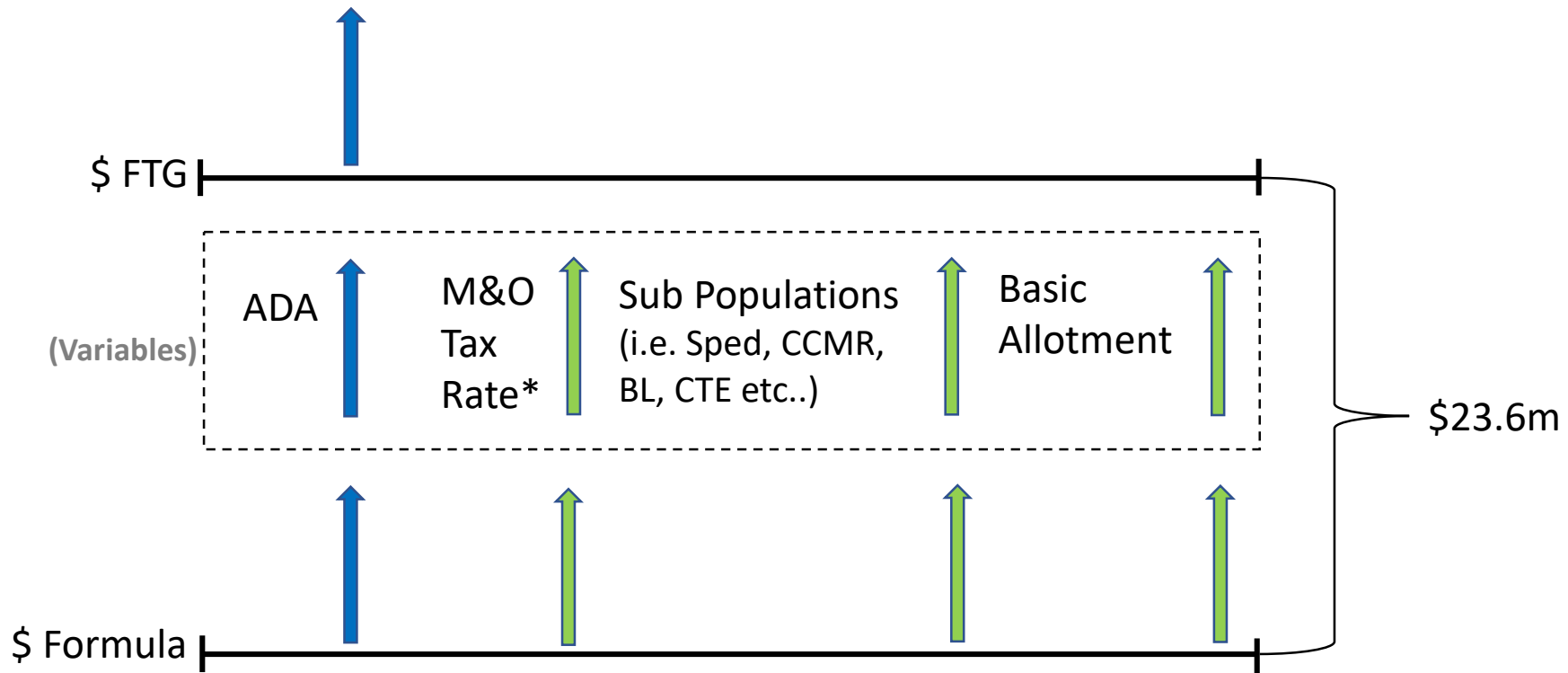
## 2020-21 Proposed Budget Tier 2 Funding

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

## Formula Transition Grant

- Hold Harmless for Districts who would have lost funding under HB3
- HB3 guaranteed a minimum annual increase of 3% of ADA of the prior year funding
- **For 2019-20, 264 districts and charter schools received FTG funding**
- For 2019-20, 206 of those districts and charters received \$300+ ADA and/or at least \$1 million of FTE funding
- Formula Transition Grant Funding for CFB in excess of \$23.6M for 2020-21
- Formula Transition Grant – set to expire after 2023-24

## Formula Transition Grant Year 20-21



**FTG expires after 2023-24**

**\*Each penny = \$2.3M**

## Formula Transition Grant (FTG) Calculation

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

## Local Assignments & State Allocation

State Funding Elements	Proposed 2020-21 Budget
Total Cost of Tier 1	\$201,845,105
Less: Local Fund Assignment	<u>(\$218,264,390)</u>
<b>State Share of Tier 1</b>	\$0
Available School Fund (ADA * Per Capita Rate (\$400 est))	\$9,393,914
Total Tier 2 Entitlement	\$34,456,670
Less: Local Share of Tier 2	<u>(\$27,967,389)</u>
<b>State Share of Tier 2</b>	\$6,489,281
Formula Transition Grant (less TSB)	\$23,644,257
TRS On-Behalf	\$12,968,565
<b>Total 2020-21 State Allocation</b>	<u><u>\$52,496,017</u></u>





## State Budget Update

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

## Texas Budget Update

- New estimate that shortfall will decline to \$0.95 billion for current biennium
- Revenue forecast of \$112.5 billion during the 2022-23 biennium, a slight decline from prior two-year period.
- This does not include impact of \$5 billion+ allocated to Texas for education from the most recent federal relief bill
- **Expect no change to Basic Allotment**

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

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

BY [CASSANDRA POLLOCK](#) JULY 20, 2020 UPDATED: 4 PM

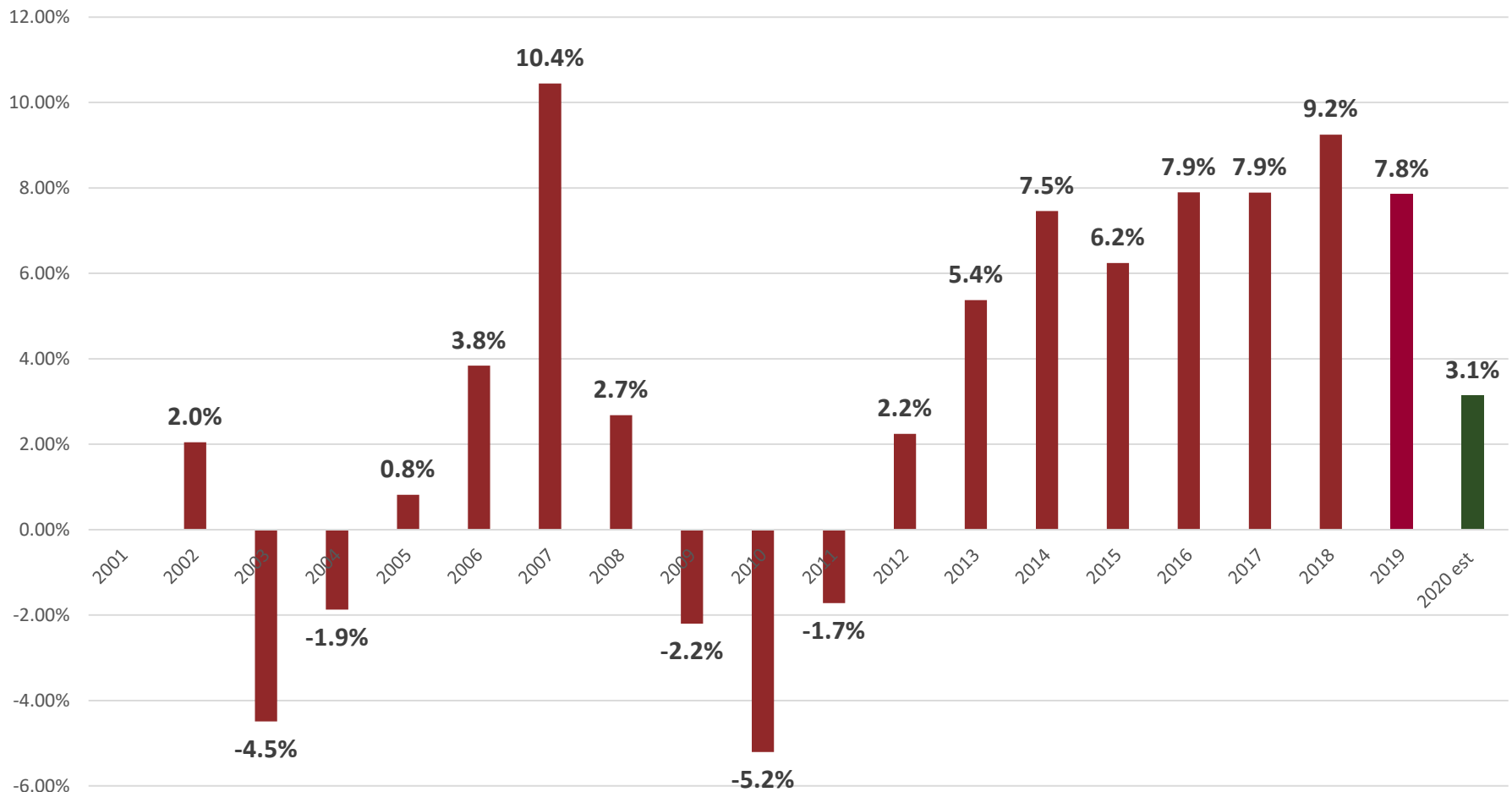
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## Property Value by Tax Year



Source: County appraisal districts (CAD)

## Change in Certified Net Taxable Value



Source: County appraisal districts (CAD)

## Tax Rate

	2018-19	2019-20	2020-21**
<b>Tier I</b>	<b>\$ 1.00</b>	<b>\$ 0.9300</b>	<b>\$ 0.9164</b>
<b>Golden Pennies</b>	<b>\$ 0.06</b>	<b>\$ 0.08</b>	<b>\$ 0.08</b>
<b>Copper Pennies</b>	<b>\$ 0.11</b>	<b>\$ 0.05835</b>	<b>\$ 0.05835</b>
<b>Total GF Tax Rate</b>	<b>\$ 1.17</b>	<b>\$ 1.06835</b>	<b>\$ 1.0547</b>

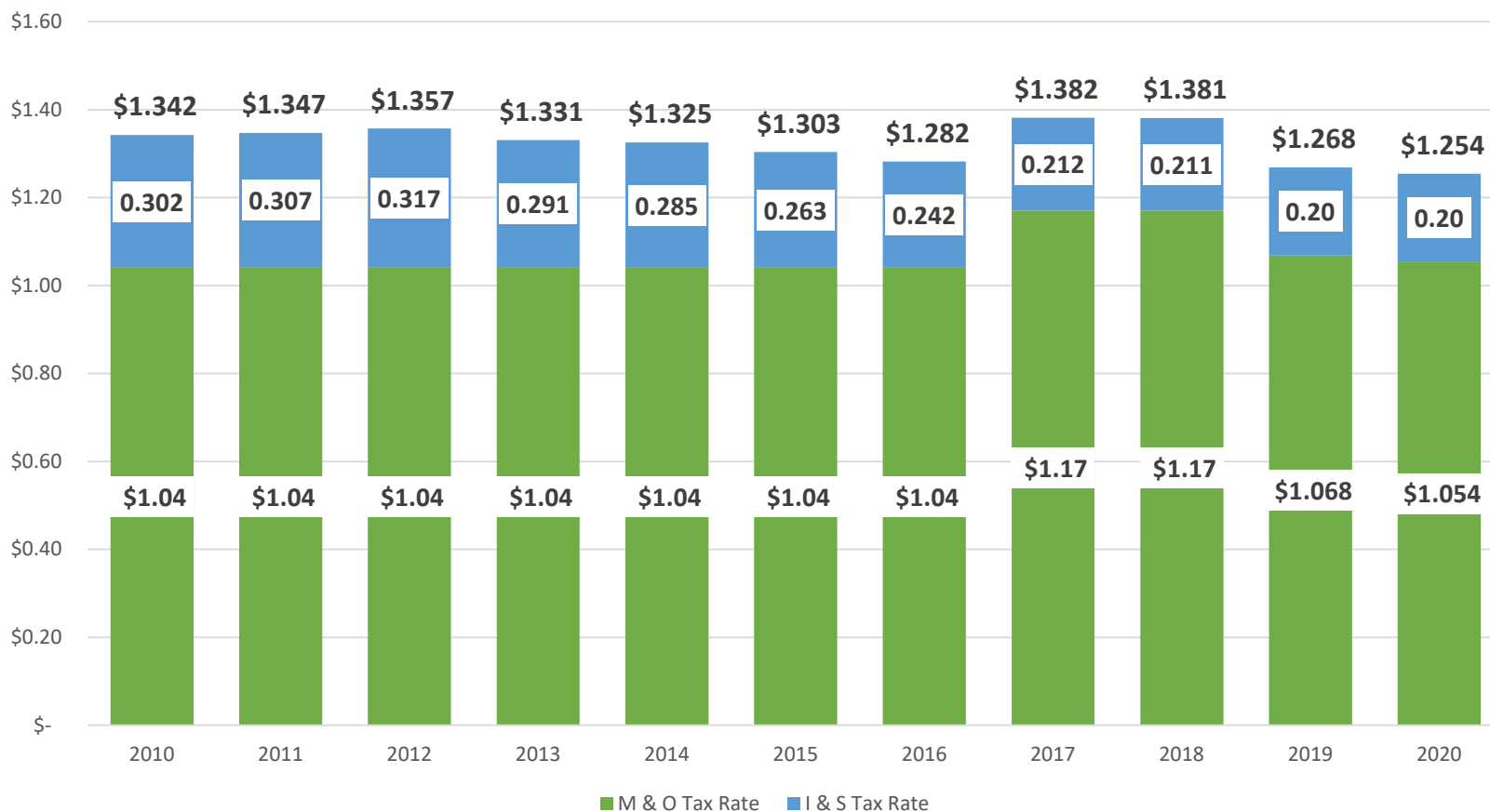
\*\* District is estimating 3.13% property value growth for 2020-21.

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



# Historical Tax Rate CFBISD

CFBISD Historical Tax Rate

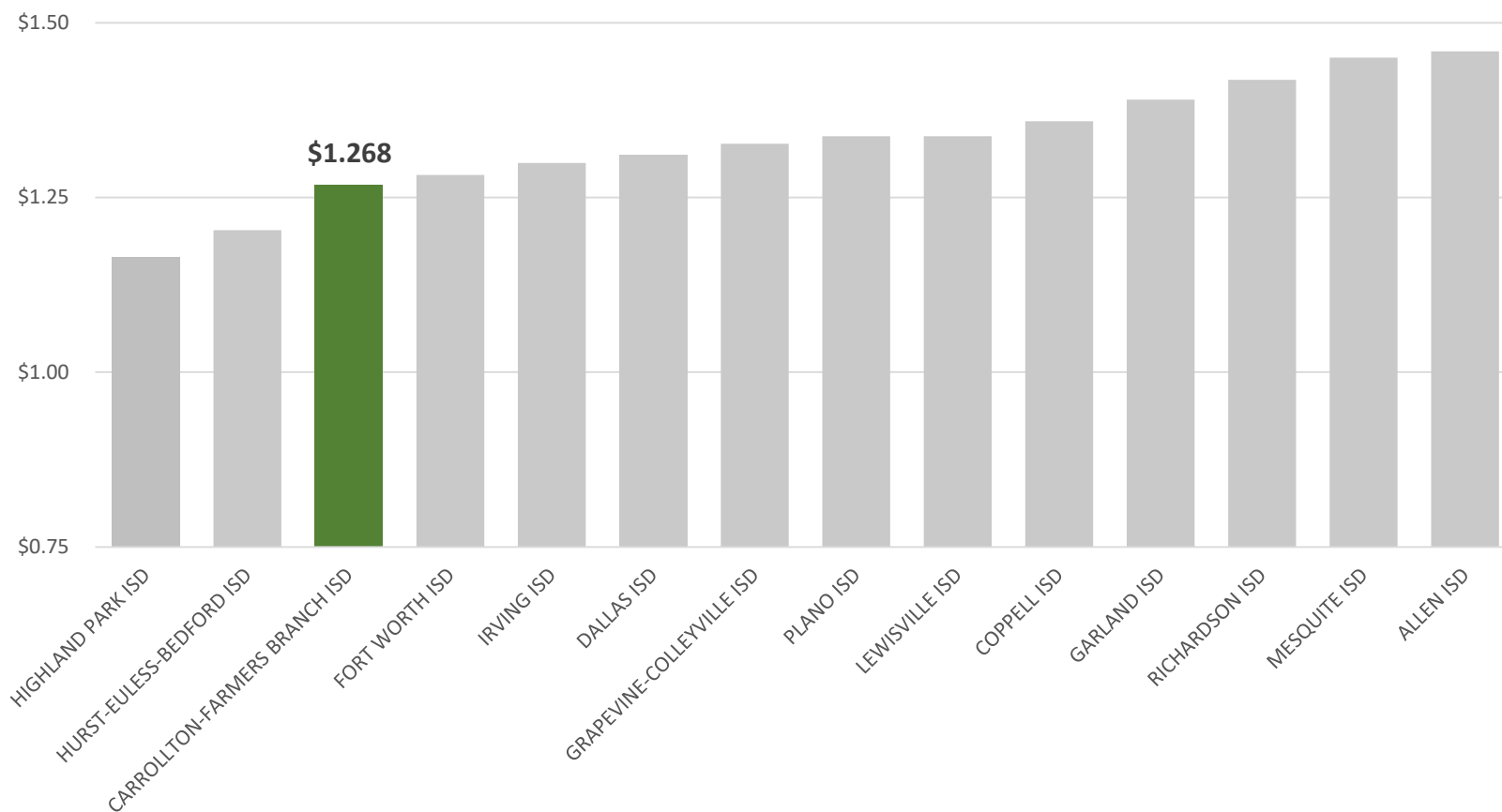


## Impact of PV Increase on Average CFBISD Home

<b>As proposed at \$1.32</b>	<b>Published 2019-20</b>	<b>Proposed 2020-21</b>	<b>Proposed Change</b>
Avg. Market/Assessed Value of Residences	\$272,512	\$283,815	4.15%
<b>Avg. Taxable Value of Residences</b>	<b>\$240,801</b>	<b>\$254,992</b>	<b>5.89%</b>
M&O Rate	\$1.06835	\$1.05475	\$ -.01365
I&S Rate	\$0.20	\$0.20	\$ -
<b>Total Tax Rate</b>	<b>\$1.26835</b>	<b>\$1.25470</b>	<b>\$ -.01365</b>
Annual Taxes on Average Residence	\$3,054.19	\$3,199.38	4.75%
Annual Increase in Taxes		\$145.19	
Monthly Increase in Taxes		\$12.10	

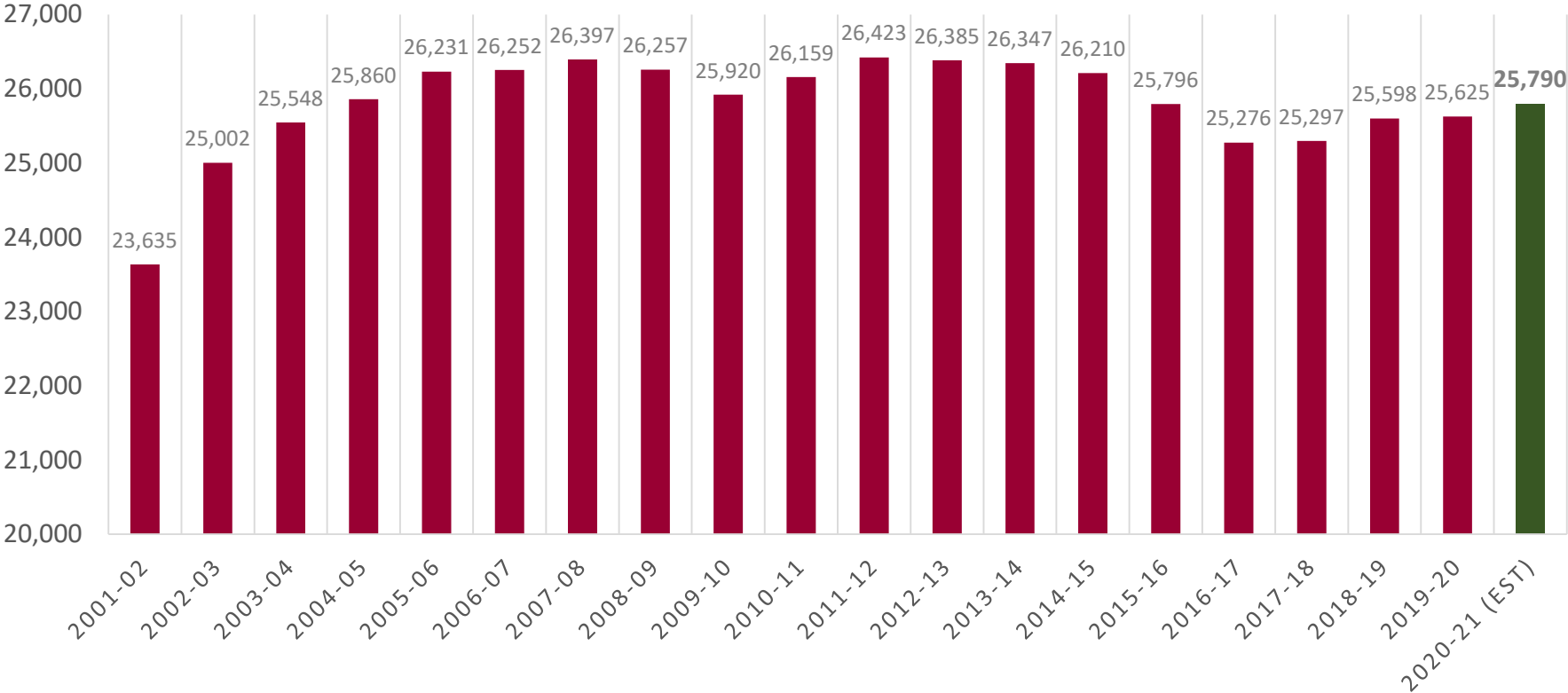
# Local Tax Rate Comparison (2019-20)

## 2019 Total Tax Rate By District



# Enrollment Growth

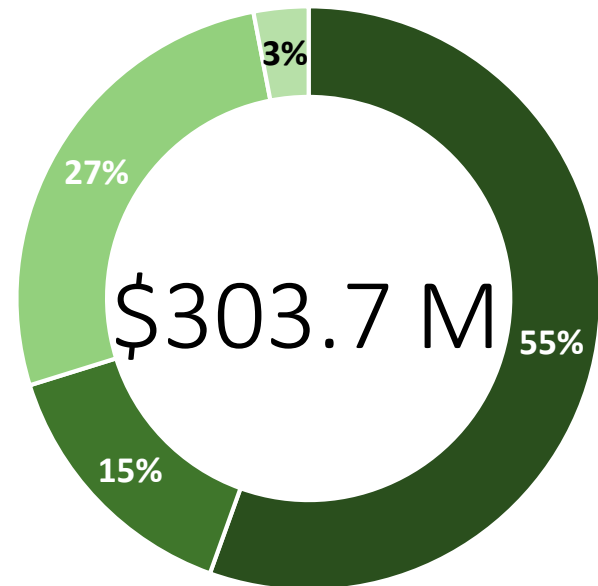
## AVERAGE DAILY ENROLLMENT



## 2020-21 Proposed Budget by Functional Area

Functional Area	2020-21
Instructional	\$ 168,526,603
Instructional Support	44,681,314
District Operations	81,293,527
Central Admin	9,219,412
<b>Total*</b>	<b>\$ 303,720,856</b>

\*Does not include \$7M transfers out



- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 81, 91, 95, 99)
- Central Admin (41)



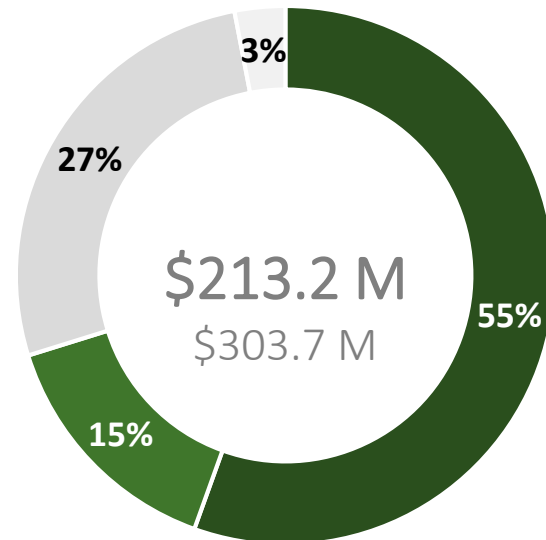
## Core Business

### Instructional and Instructional Support

Represents 70.2% of total budget at \$213.2 M

Includes the following major functional areas:

- » Instructional
  - Instruction (11)
  - Instructional Resources Media (12)
  - Curriculum Development (13)
- » Instructional Support
  - Instructional Leadership (21)
  - School Leadership (23)
  - Guidance Counseling (31)
  - Social Work Services (32)
  - Health Services (33)
  - Co Curricular and Extra Curricular (36)
  - Community Services (61)



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## District Operations

Almost 1/4 of the budget at  
\$81.3 million

Utilities (electricity, water,  
natural gas, phone/ internet)

Security services

Building maintenance and  
repairs

Lawn maintenance

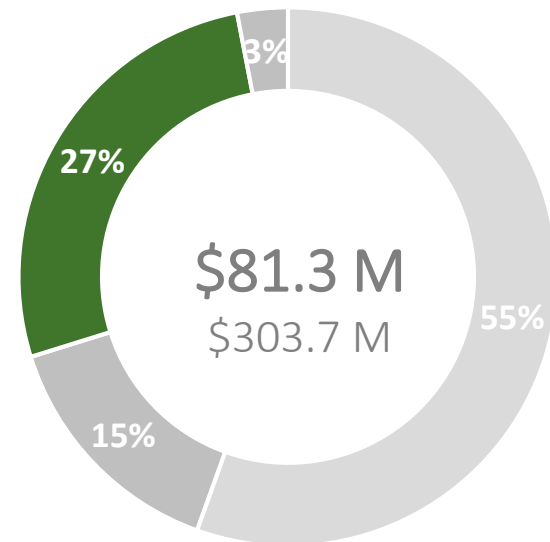
Information Technology and  
software services

- » Student software systems
- » Financial/HR applications

Student transportation

Property appraisal services

State recapture



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## Chapter 49 & Attendance Credits

Property wealthy districts whose wealth per student exceeds an established wealth level are subject to recapture

*CFBISD is subject to recapture and historically reduces local revenue by purchasing attendance credits to achieve the local revenue not to exceed TEC 48.257.*

***Estimated Tier 1 Excess Revenue after adjustments/collections: \$22.8M***

***Estimated Tier 2 Excess Revenue: \$4.6M***



## Central Administration

Approximately 3% of the  
budget at \$9.2 million

District Leadership

Accounting

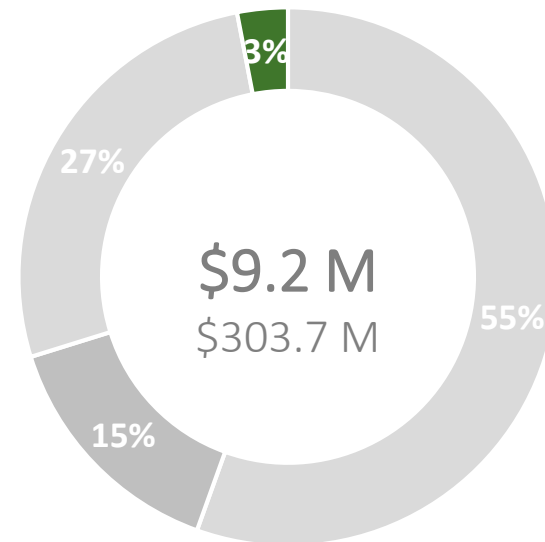
Accounts Payable

Budget

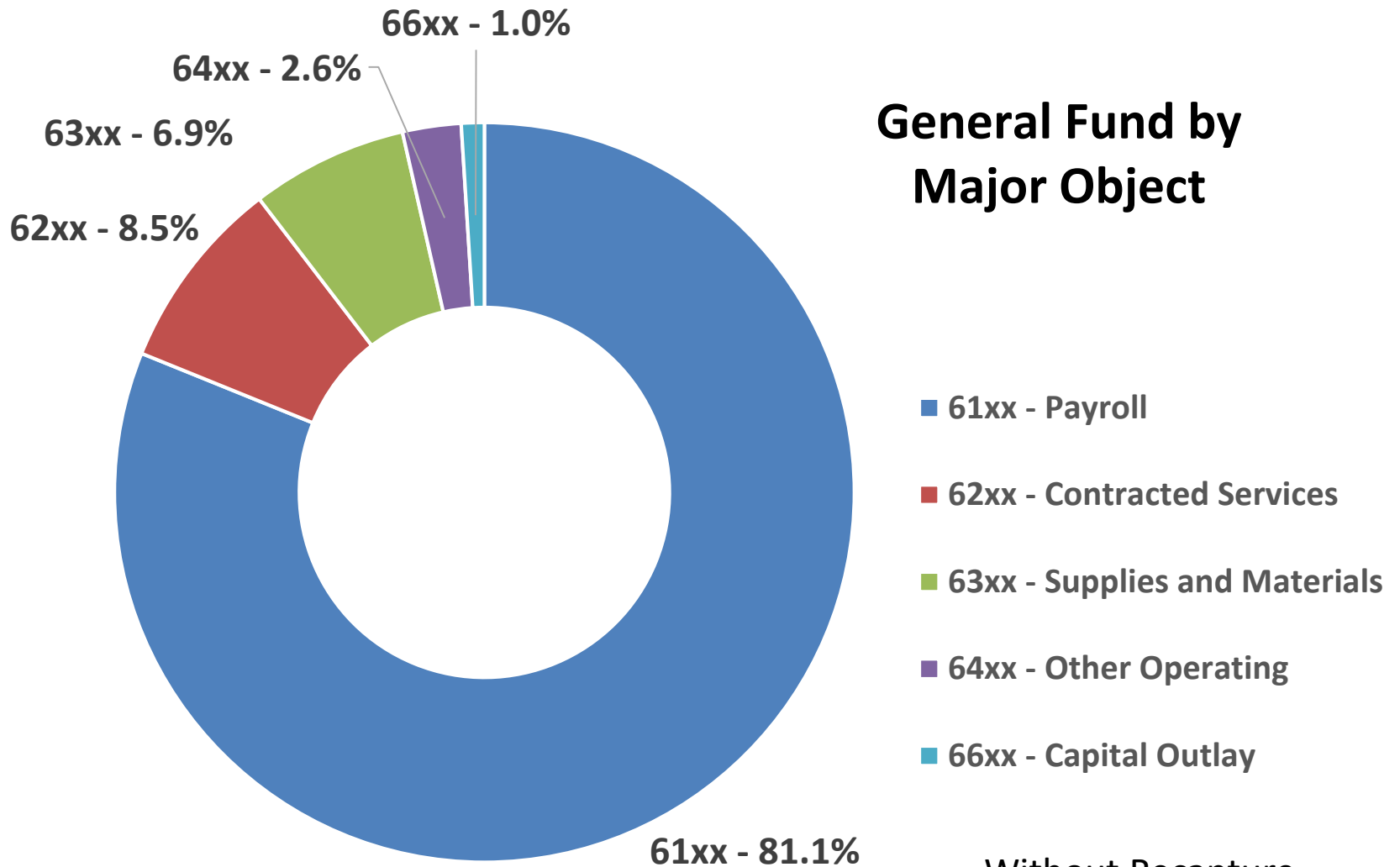
Purchasing

Human Resources

Communications

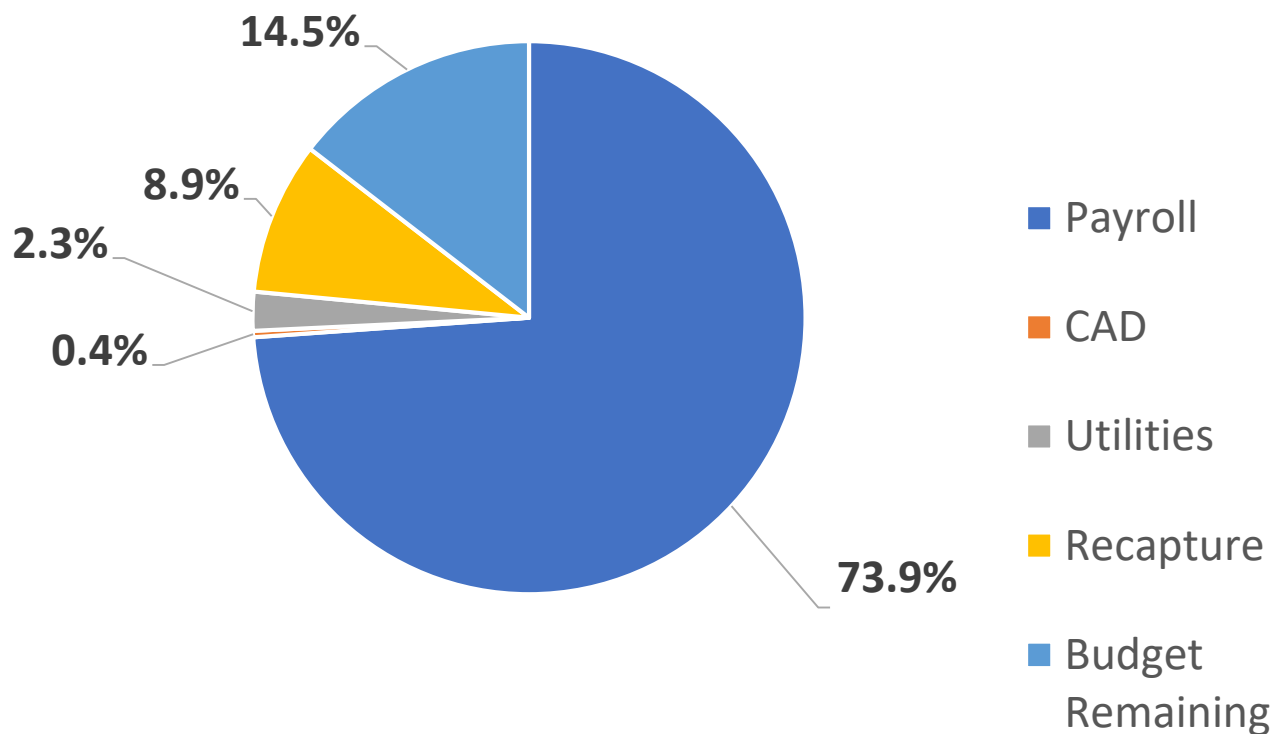


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Without Recapture

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



## Campus Staffing



82%

Facilities  
Maintenance



8%

Transportation



4%

Campus  
Support  
Services



3%

Administration



2%

IT



1%

Security



1%

## CFBISD Staff is Dedicated to Campuses



## BUDGET DEVELOPMENT



<b>General Fund</b>	<b>\$M</b>				
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## Uses of Fund Balance

- Cash management & working capital
- “AA+” bond ratings - lower interest rates on district bonds
- Unforeseen expenditures and/or disasters
- Unforeseen revenue shortfalls
- Ongoing support for educational programs (one-time)
- Best Practices

The Government Finance Officers Association (GFOA) recommends ...“no less than two months of...regular general revenue operating expenditures”

## Fund Balance Strategies

	YE 2018-19	YE 2019-20
Safety and Security Enhancements	\$3,000,000	\$3,000,000
Technology Capital Replacements	4,000,000	0
Transportation Upgrades	3,000,000	3,000,000
Building Construction, Repairs, & Renovations	3,000,000	3,000,000
State Revenue Stabilization	-	26,000,000
State Spending Requirements	-	5,000,000
<b>Committed</b>	<b>\$13,000,000</b>	<b>\$40,000,000</b>

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

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

# Fund Balance History

	YE 2017-18	YE 2018-19	YE 2019-20*
Inventory Fund Balance	\$ 1.14 M	\$ 0.97 M	\$ 1.00 M
Committed Fund Balance	13.00 M	13.00 M	40.00 M
Unassigned Fund Balance	86.14 M	92.09 M	67.41 M
<b>Total Fund Balance</b>	<b>\$100.28 M</b>	<b>\$106.06 M</b>	<b>\$107.41 M</b>
3 Month Reserve	67.07 M	73.34 M	74.37 M
Fund Balance as % of Expenses	37%	36%	36%
<b>Fund Balance in Months of Exps</b>	<b>4.3 Months</b>	<b>4.3 Months</b>	<b>4.3 Months</b>

\*Projected

## Bottom Line:

### Strong Financial Position With Reasons for Concern

- May need to use fund balance to meet State spending requirements for programs
- State Funding includes \$23.6M of Formula Transition Grant – set to expire **after** 2023-24
- State Revenue picture looks better than originally expected, but should not expect more funding
- Local Collections will be impacted by appeals and drops in property values





2020-21

## School Finance 101

# Questions ????????????