

FREQUENTLY ASKED QUESTIONS
AUSTIN ISD BUDGET

1. *How much is the District's projected budget deficit for Fiscal Year 2010-2011?*

In FY2010, the District implemented \$14.6 million in budget reductions and leveraged the savings options presented in a 2009 Efficiency Study conducted by MGT of America to balance the budget in FY2010. Subsequently, in December 2009, the Chief Financial Officer projected a remaining structural deficit of \$7.1 million for FY2011.

2. *Why does the District project a budget deficit for 2010-2011?*

This is not an easy answer. Major economic and funding issues seriously impacted the preparation of the District's 2010-2011 Budget. Though Texas continues to be spared the most extreme circumstances, the economic slowdown has taken its toll on the state's ability to fund education, which has also resulted in AISD receiving less state aid this year.

A structural deficit simply means that expenditures are outpacing revenue. Stark projected declines in property tax revenue as a result of declining property values, along with increase costs for salaries, enrollment growth, and basic operating expenditures led to the projected deficit.

3. *What is AISD proposing in the preliminary budget to overcome its budget deficit? How long will this financial crisis last?*

The District is committed to redirecting costs to balance the budget, while encouraging state legislators to provide financial relief for our schools. The proposed FY2011 Preliminary Budget includes proposals to cut and/or eliminate several programs, which will reduce the General Fund budget by \$8.3 million. The District also is well positioned to implement additional savings measures to avoid \$4.8 million in budget increases. The total \$13.1 million in budget savings, reductions, and reprogrammings will both eliminate the deficit, and provide a small down payment on Strategic Plan initiatives. However, with the state and national economy continuing to slide, AISD will experience budget difficulties for at least the next two to three years.

4. *Where does AISD's funding come from?*

Like many Texas school Districts, AISD will receive revenue from three primary sources in FY2011 to support its General Fund (less recapture): local, state, and federal revenues. The individual revenue breakdowns include:

- Local - 68%
- State - 27%
- Federal - 5%
- Less than 1% comes from other sources

5. *What are "Golden Pennies"?*

Golden pennies represent the six cents that property-wealthy school districts like AISD are allowed to retain in revenue above the \$1 tax that is assessed on all taxable property

values. Any revenue collected on property taxes above this six cents is subject to recapture by the state. In other words, nearly 40 percent of the revenue generated beyond the six cents is sent to the state to redistribute to property-poor school districts.

6. *What is a Fund Balance? Why is maintaining a large Fund Balance so important?*

Fund Balance is a measure of net financial assets, which is similar, but not identical to, equity or accumulated savings. In other words, it is like the balance in your checking account. Deposits are like assets, and the bills you need to pay are like your liabilities. What remains is generally considered your available balance, or a “rainy day fund.” Maintaining a healthy Fund Balance allows the District to get a high bond rating which affects our credit-worthiness. In addition, the State requires that we have a minimum of one month’s worth of operating expenses in our Fund Balance.

7. *What are the benefits of changing the start date of the District’s fiscal year?*

House Bill (HB) 98 of the 76th Legislature (1999) approved an option that allows Districts to change the start date for the fiscal year for financial management activities. According to HB 98, school Districts may choose a fiscal year that begins on either July 1 or September 1 of each year. Most school Districts in the country operate under a fiscal year that begins on July 1 thru June 30 because it easily corresponds with the school year. Currently, AISD operates with a fiscal year that begins September 1 thru August 31. If AISD were to change its fiscal year, there would be considerable benefits including a one-time accounting change that effectively creates a two-month costs credit for payroll and other charges.

8. *How much of the District’s budget will go towards salaries and benefits?*

In the proposed FY2011 Preliminary Budget, 88 percent of the District's operating budget will pay for salaries and benefits for 12,000 employees who serve our 85,000 students. The remainder of the budget is spent on everything else: books, technology, building maintenance, supplies, bus fuel, utilities, liability insurance, paper, etc. Even though AISD is a very large organization, only 2.4 percent of our employees make up Central Administration, supporting programmatic and administrative functions. A functional breakout of the proposed budget can be found on page 36 of the FY2011 Preliminary Budget book.

9. *Why don’t we just raise taxes to make up for the budget deficit?*

State law requires a voter referendum to increase the tax rates for a school District’s Maintenance and Operations Fund. Should any increase be necessary, Austin taxpayers would vote on that tax increase proposal.

10. *Why are some of the District’s schools under-enrolled?*

In an open-choice system, there will be schools that are under-enrolled and others that have bursting enrollments. This shift in enrollment happens for a number of different reasons: population changes, neighborhood changes that affect the utilization of schools, families that move, families that choose to take advantage of academic options outside of their neighborhood, etc. Therefore, the District must react to changes in enrollment by adding or reducing capacity where needed.

11. *If the District is facing a budget deficit, then why is it still building new schools?*

A strong commitment to neighborhood schools, particularly at the elementary level, means building schools in new developments where the number of students justifies a school, while effectively using the excess capacity in older neighborhoods where the number of school-aged children has declined.

12. *Does the proposed Preliminary Budget include a raise for employees?*

The Proposed FY2011 Preliminary budget does not include a salary increase for employees. However, staff members will receive a step increase, totaling \$2.7 million as part of the raise that was authorized by the State legislature in the last biennium (e.g. two year period).

13. *How are budget decisions made?*

Various factors affect budgetary decisions. These include:

- Size of enrollment.
- Number and educational level of staff.
- Requirements of employee group agreements.
- Building needs (age, efficiency, and space requirements).
- Pupil transportation costs (including transportation for non-public students).
- Health and special educational programs.
- Changes in program requirements.

The AISD Budget must bring together all of these factors to provide a coherent plan that best serves students. Choices need to be made between educational requirements and available funding. There are always competing interests.

14. *Where is AISD investing its resources in 2009-2010? Where have budget cuts already been made?*

Under the leadership of Superintendent Dr. Meria Carstarphen, AISD has been able to keep the vast majority of budget cuts at the Central Office level to ensure as little impact as possible on teaching and learning. Out of \$14.6 million in budget cuts that were made this fiscal year, only \$824,000 came directly from campuses.

15. *When will decisions be made about District budget cuts for 2010-2011?*

The Preliminary FY2011 Budget was released February 22, 2010, and the official adoption of the Budget will occur in late August. Community members may continue to provide their input by attending community forums throughout March, by participating in public hearings about the District's Budget this April and August, or by submitting their input online on the AISD website at www.austinisd.org.

16. *What recommendations for budget cuts did the MGT Efficiency Study make?*

The report calls for the elimination of numerous positions. Since 85 percent of the District's Budget consists of personnel costs, it is not surprising that so many of the options presented by MGT called for reductions in staff. We want to take this opportunity to

emphasize to both our employees and the public that such decisions will not be made lightly. While tough decisions will need to be made, we will proceed carefully during this transitional time.

17. *Have any provisions of the MGT Efficiency Study been implemented?*

Approximately \$15 million of budget reductions that were recommended by the MGT Efficiency Study have been factored into the FY2010 and proposed FY2011 General Fund and Food Service budgets. Additional Efficiency Study proposals will be considered, as the District works to develop a multi-year financial plan.

18. *How much stimulus money did the District receive?*

The District received \$64M million in stimulus funds. Approximately \$23.7 million was from state stimulus funds, which went to cover operating costs to support our deficit in state funding. The remainder of the money is tied to special federal programs: Special Education and Title 1. Because these funds are being distributed as federal dollars, there are stipulations and regulations regarding their use. At this time we are still trying to determine the full affect these funds may have on AISD. Please see page 26 of the FY2011 Preliminary Budget guide for detailed information.

19. *Will class sizes be increased to save money?*

No proposals regarding class size are included in the proposed preliminary budget. However, all options are being examined for potential cost reductions and savings in future budget years as the District projects sizable future deficits. If we choose to pursue this option, we will work closely with all of our employee associations to consider the impact and to ensure that employee rights are respected and student achievement is not negatively impacted.

20. *Why doesn't the District just move money from one account (or fund) to another to cover the budget deficit?*

Many funds are allocated to the District with legal requirements restricting their allowable use. For example, funds that are borrowed to construct school buildings cannot be spent on salaries or on books for our students.

21. *Will AISD have staff layoffs?*

To address the projected budget deficit, balance the budget, and to begin building capacity to support the priorities of the Board-approved Strategic Plan, Trustees approved implementation of a "Program Change," that will result in the reduction in force of District personnel. The Administration has identified 113 non-classroom positions for the initial Reduction In Force, or RIF, but has advised that additional reductions will likely be necessary to balance future budgets.

22. *Will the District still need to declare "Financial Exigency?"*

The Board's recent on action on February 22, 2010, to declare a "Program Change" provides the Superintendent with the authority to implement the proposed RIF in order to balance the budget for FY2011. No additional budget reductions are being sought for

FY2011 and, therefore, it is anticipated that a declaration of “Financial Exigency” will not be necessary at this time. However, the balancing approach for future budget has not yet been determined and a declaration of “Financial Exigency” for the out-years still could be a possibility.

23. *Are other school Districts making similar budget cuts?*

As a result of the global recession, virtually every school district in the country is facing similar challenges and is facing difficult budget cuts.

24. *What can the community do to help our schools? Can we raise private money?*

We are looking for opportunities to partner with businesses, foundations, and other entities to bring in financial support for student programming. If you know of an organization or an individual who is financially able, we would encourage you to look into this option. We also ask that you share your ideas on cost savings and proposals for consideration as we continue the budget process.

25. *How else can we help?*

Become involved. Strike up conversations with your child’s school principal and fellow community members about the issues that matter to you. We also encourage you to attend the Community Conversations about the budget that will take place during the next several weeks:

- Thursday, March 11, at Anderson High School from 6 - 8 PM.
- Thursday, March 25, at Reagan High School from 6 - 8 PM.
- Tuesday, March 30, at Travis High School from 6 - 8 PM.

These meetings are an opportunity to share your ideas, concerns, and get additional information about AISD’s budget situation. Lastly, please visit the Budget Webpage on our District web site at www.austinsd.org/inside/budget for periodic updates. Your participation and feedback is critical, so please get involved. Thank you for supporting Austin schools.