

AUSTIN ISD BUDGET PROCESS FREQUENTLY ASKED QUESTIONS

1. *How much is the District's budget deficit for 2011 - 2012?*

When the Board of Trustees adopted AISD's Budget in August, we projected a baseline deficit of \$21.9 million. However, when you include possible State budget reductions, expiring grant funding from the Federal Stimulus program, strategic investment needs and potential salary increases, the deficit could go as high as \$62 million.

2. *Why does the District have a budget deficit for 2011-2012?*

This is not an easy answer. Major economic and funding issues seriously impact the projected level of resources the District will receive as part of the 2011-2012 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 will probably result in budget cuts to education.

3. *What is AISD doing about their budget deficit? How long will this crisis last?*

The District has been austerity planning for the last few years and has contemplated budget actions in a multi-year framework. In FY 2010, the District reduced its budget by \$14.6M and in FY2011, the District implemented \$13.1M in budget reduction and savings initiatives to balance the budget. For FY 2012, the District is committed to redirecting costs to balance the budget yet again. Despite the gloomy financial picture at the State level, the District will still continue to encourage state legislators to provide financial relief for schools. However, with the state and national economy continuing to slide, AISD will experience budget difficulties for at least the next two years.

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

Like all Texas school districts, AISD receives revenue from three primary sources to support its General Fund: local, state, and federal revenues. The individual revenue breakdowns include:

- Local - 75%
- State - 21%
- Federal - 3.7%
- 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 one-dollar 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% 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 is left over is generally considered your available balance, or what is left as 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 two month's worth of operating expenses in our Fund Balance and the Board has set a policy that requires a Fund Balance that represents at least 14% of the expenditure budget.

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) enacted 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 1st or September 1st of each year. Most school districts in the country operate under a fiscal year that begins on July 1st thru June 30th because it easily corresponds with the school year. Currently, AISD operates with a fiscal year that begins September 1st thru August 31st. If AISD were to change its fiscal year, there are considerable benefits that could be realized including a one-time accounting change that effectively generates a two-month expenditure credit for payroll and other liabilities.

8. *How much of the District's budget goes toward salaries and benefits?*

Eighty-eight percent of the District's operating budget pays 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 2.2% of our employees make up central administration, supporting programmatic and administrative functions.

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 have to vote on that.

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 are they 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 utilizing excess capacity in older neighborhoods where the number of school-aged children has declined.

12. *If the District is facing a budget deficit, why did the AISD Board of Trustees give AISD employees a raise this year?*

In FY 2010, State legislation required a raise for teachers and other campus educators (teachers, librarians, counselors, nurses, and speech pathologists). As part of this legislation, the Attorney General ruled that step increases were to be provided to these same employees in FY 2011. And considering the large pay disparity that Austin teachers have with most other school districts, these actions support our efforts to keep AISD competitive in retaining quality educators and other employees. No other class of employees received a raise.

13. How are budget decisions made?

Various factors will affect budgetary decisions. Some of 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; health and special educational programs; and changes in program requirements.

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

14. Where is AISD investing its resources in 2010-2011? Where have budget cuts already been made?

Under the new 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 \$27.7 million in budget cuts that were made in FY 2010 and FY 2011, only \$824,000 came directly from campuses. However, additional Central Office reductions may be considered in light of the growing budget deficit.

15. When will decisions be made about District budget cuts for 2011 -2012?

A presentation of the Preliminary Budget will occur in late February 2010, and the official adoption of the Budget will occur toward the end of June, unlike previous years where budget adoption was in August. Community members may continue to provide their input by attending community forums in December, by participating in public hearings about the District's Budget this Spring, 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 88% 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 FY 2010 and FY2011 General Fund and Food Service budgets. Additional Efficiency Study proposals will be considered, as part of the preliminary Budget, and spending cut decisions that affect the 2011-2012 Budget.

18. How much stimulus money did the District receive?

The District received \$23.7 million in 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, which totals nearly \$40M. These funds expire at the end of FY 2011, so important programming will end if funds aren't restored in the FY 2012 budget.

19. Will class sizes be increased to save money?

No decisions regarding class size have been made, but all options are being examined for potential cost reductions and savings. 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 books for our students.

21. Will AISD have staff layoffs?

More than 88% of the District's unrestricted budget is used in support of "people" (staff salaries and benefits). Considering the magnitude of the deficit that we are facing, it could become possible that layoffs would be considered. We will continue to be as open and transparent as possible as we proceed through the decision-making process to provide the respect and sensitivity our employees deserve.

22. 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 having to make difficult budget cuts.

23. 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.

24. 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:

- November 30th at Lanier High School (1201 Payton Gin Road), 6:00 - 8:30 pm
- January 11, 2011 at Crockett High School (5601 Manchaca Road), 6:00 - 8:30 pm

These meetings are a chance 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.austinisd.org/inside/budget for periodic updates. Your participation and feedback is critical, so please get involved. Thank you for supporting Austin schools.