



## **AISD UP-CLOSE Budget and Finance Overview**

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**AUSTIN**  
Independent School District

# PRESENTATION OVERVIEW

- Financial Management
- The State Budget and Impact on District Finances
- The Basics: Budget Structure and Education Financing
- Why Fund Balance Matters
- FY2012 Budget Planning and Development

# AISD Has Strong Financial Accountability & Management

- The second lowest overall property tax rates in Central Texas for school districts.
- AAA debt rating from Moody's Investors Service; AA+ from Standard & Poor's; and AA from Fitch Ratings, all among the highest ratings available by these agencies to Texas public schools, resulting in millions of dollars of savings for the District's bond program and Austin taxpayers.
- A 2010 School FIRST (Financial Integrity Rating System of Texas) rating of Superior Achievement for the eighth consecutive year.
- The Texas Comptroller of Public Accounts awarded AISD with a Leadership Circle Award for budget transparency, for the last two years.
- The Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for nine years in a row. Also received GFOA Certificate of Achievement for Excellence in Financial Reporting for the first year. This was the first year the district applied for the award.
- The Association of School Business Officials International (ASBO) Meritorious Budget Award for excellence in the preparation and issuance of its school system budget for two years in a row. Also received ASBO Certificate of Excellence in Financial Reporting for the first year. This was the first year the district applied for the award.

# Strong Financial Accountability & Management Cont.

- A strong fund balance of approximately \$179M which exceeds Board policy that requires at least 14% of the General Fund budget.
- Only school district with a Commercial Paper Program that has allowed the district to take advantage of the economic environment and save in borrowing costs.
- Good ROI as AISD outperforms national counterparts according to results from the National Assessment of Educational Progress (NAEP), also known as the Nation's Report Card, despite having one of the lowest per pupil spend rates.
- Saved over \$13M in health care costs of the last two years with plan changes that provided more coverage and transitioning from being fully-insured to becoming self insured.



# The State Budget & School Finance

# Foundation School Program Funding (All Funds)\*

- When looking at just the funding level for the FSP (Operations and Facilities), the 2012-13 amount totals \$35.4 billion, a \$1.8 billion decrease compared to 2010-11biennium
- However, this amount is \$4 billion below what is required to fund Current Law formulas

**\*Takes into account the \$800 million FSP adjustment in Article IX and the August payment delay**

# The Truth of the Matter on School Funding for the 2012-13 Biennium

- For the first time in 60 years, the Legislature failed to finance current law
- Foundation Program current services state aid was decreased by \$4 billion
- Special Program financing was decreased by \$1.3 billion
- The total decrease was \$5.3 billion when the cost of enrollment growth, property value decline, and other factors are taken into account

# Impact of State Cuts and Federal Revenue Losses on AISD

- State revenue loss of \$35.6 million in FY2011-12
- Additional loss of \$26.4 million in FY2012-13 for a total of \$62 million loss in State funding
- Loss of over \$60 million in Federal ARRA funding
- Outyear challenges will get worse with legislative actions taken under SB 1 which eliminates Additional State Aid For Tax Relief (ASATR) by 2018, which translates into a revenue losses of \$150 million for AISD

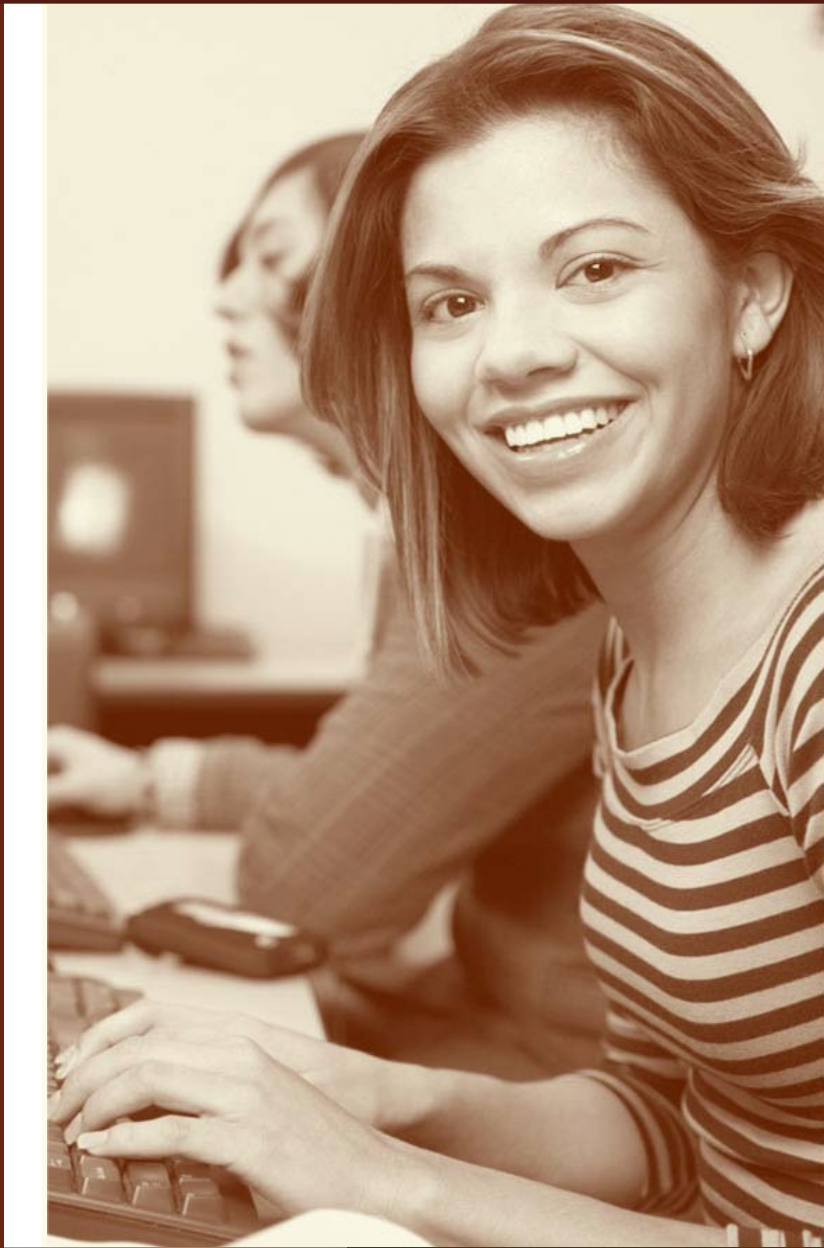
# AISD Austerity Planning: FY10, FY11 and FY2012

□ FY2010 Budget Reductions	\$14.6M
□ FY2011 Budget Reductions	\$13.1M
□ <u>FY2012 Budget Reductions</u>	<u>\$39.7M</u>
Total	\$67.4M

- FY2010 eliminated 18 central office positions which saved just over \$700k.
- FY2010 central office hiring freeze saved district over \$1.5M.
- FY2011 reductions included the elimination of 117 central office positions that saved the district an estimated \$5M.
- FY2012 implemented a Reduction in Force which eliminated 1,153 positions in addition to increasing employee health contributions, obtaining fixed pricing for fuel, implementing a 4 day/10 hour work week, restructuring transportation, and various other programmatic reductions to programs like athletics, summer school and Turnaround initiatives.

# FY2012-13 Budget Development: Situational Analysis

- ❑ Staff compensation has been frozen for the last two years, exacerbating already low teaching salaries (when FICA is excluded, teacher salaries are 11.3% behind Texas Urban peers and 3.6% behind Local peers).
- ❑ Commitment to stabilize staffing for the next few years (FY2012 & FY2013)
- ❑ Need to consider funding for Strategic Priorities
- ❑ AISD has implemented and exhausted several budget balancing solutions and savings options to address previous budget shortfalls



# The Basics: Budget Structure and Education Finance

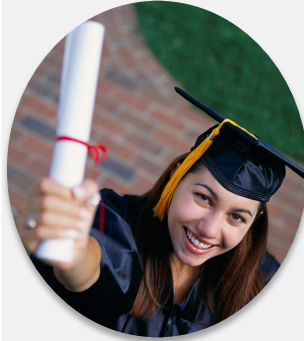
# BOARD PRIORITIES FOR SY 2012-13

## College, Career, Life Readiness



### Whole Child, Every Child

Expand academic (intellectual), physical (health, wellness, and safety), social, and emotional initiatives and programs to enhance the education of the whole child.



### College-ready Culture

Expand and enhance advanced academic programs to prepare all students for college, career, and life.



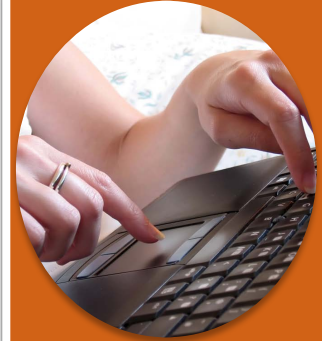
### Rich Portfolio of Options

Explore and establish new delivery models to provide an enhanced portfolio of academic options to promote graduation rates and higher achievement for students.



### Human Capital

Refine our human capital strategy to recruit, retain, promote, reward, evaluate, and develop the highest quality educators.



### Systems

Improve systems through accessible performance management, shared data, technology integration, facility master planning, and aligned operations.

# Education Finance Characteristics

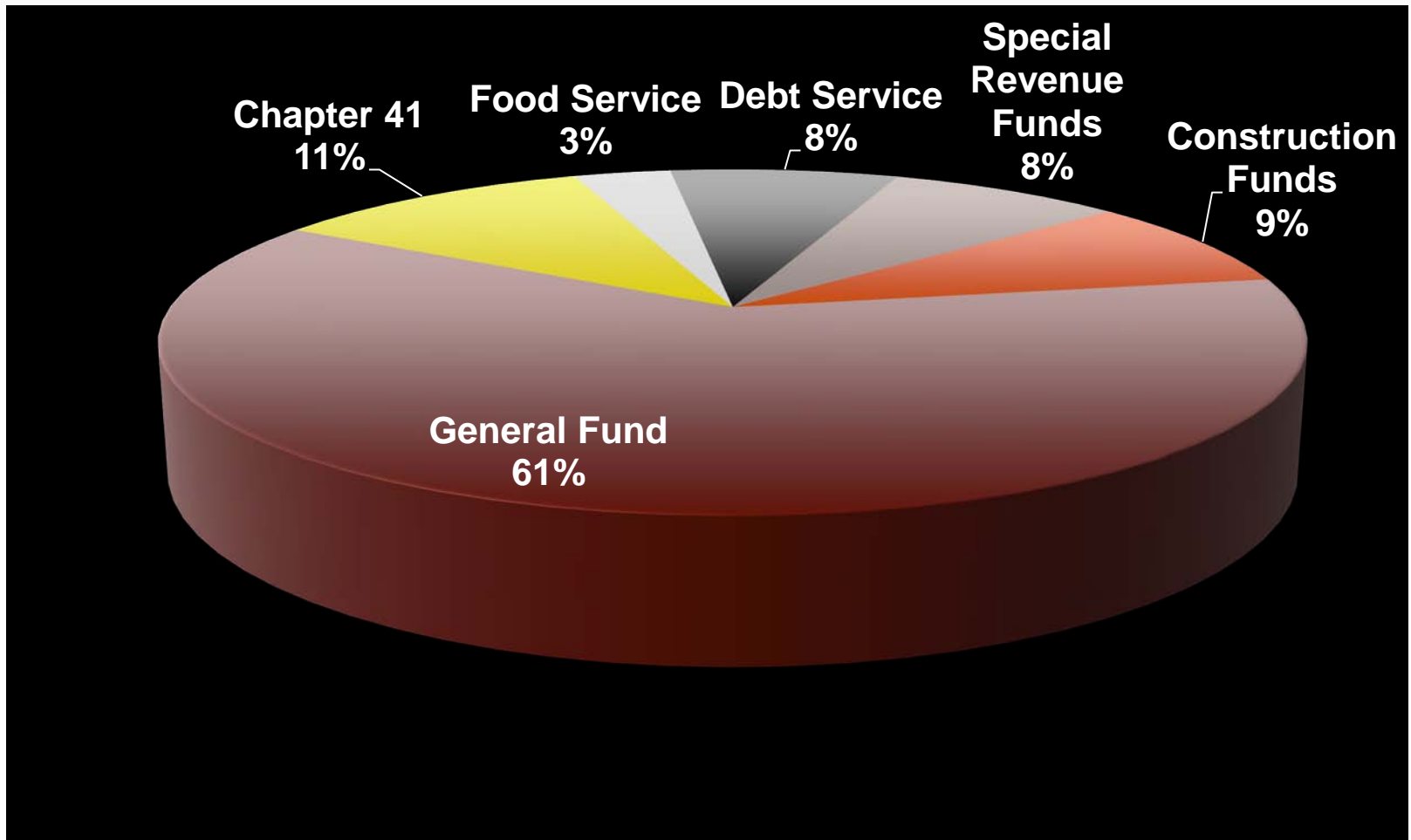
- School finances are highly categorical in nature
- Taxes are a primary source of revenue
- Often times include complex formulas to allocate resources in efforts to maintain “equity” (state or local)
- School districts are highly regulated
- Finances are administered publicly
- Political issues have high relevance in financial and operational management

# Overview of Funds

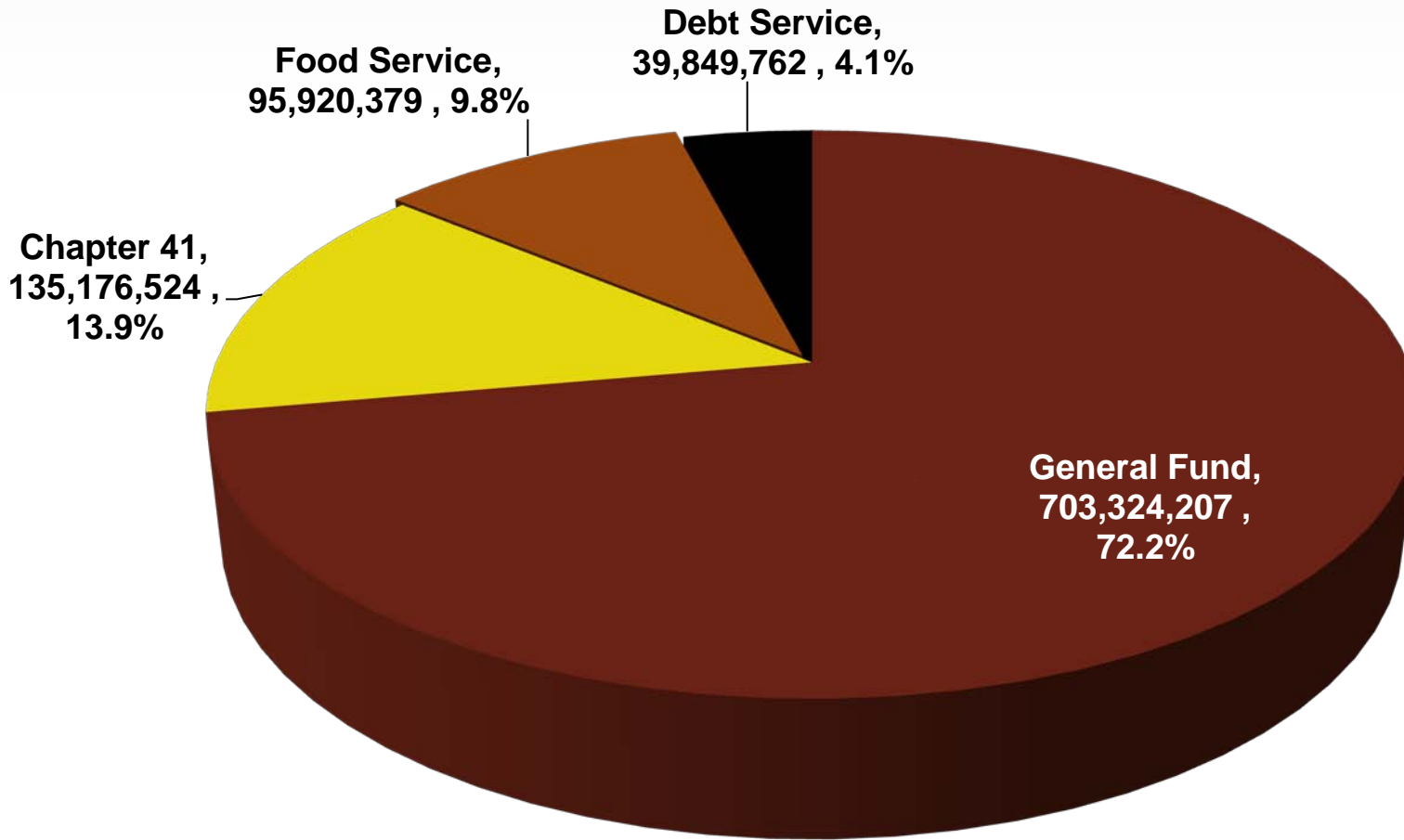
- General fund is the largest fund that comprises a school district budget.
- There are four other funds that make up AISD's budget.
  - General Fund (Board Approved)
  - Food Service Fund (Board Approved)
  - Debt Service Fund (Board Approved)
  - Special Revenue Fund (Based on Award)
  - Capital Fund (Voter Authorized)
- These four other funds are categorical and rules govern how they are used. They can only be spent for specified purposes.

# Budget Basics: FY2011-12

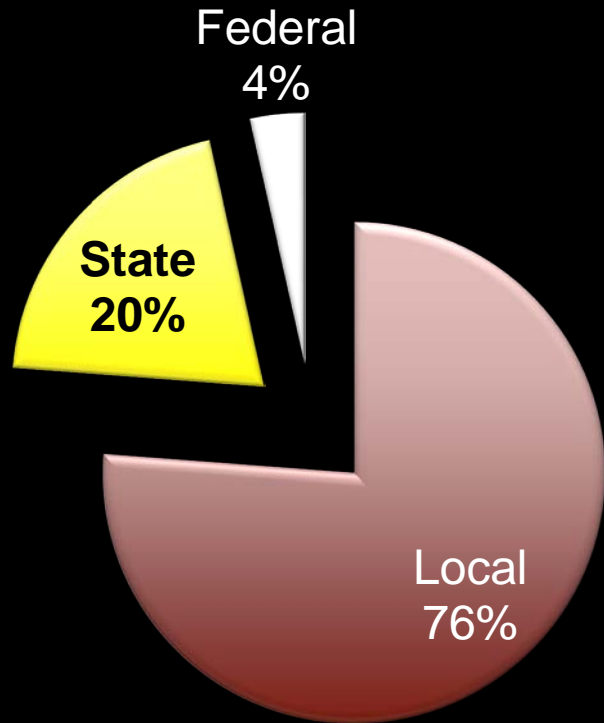
## Overview of Funds



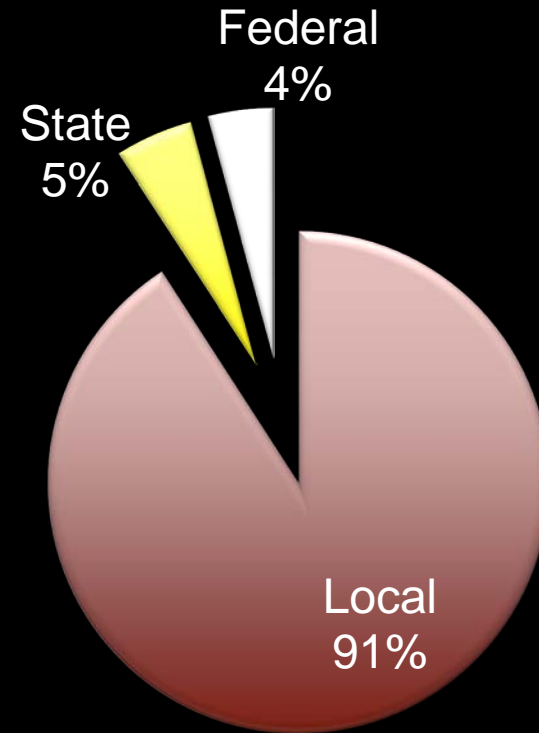
# FY2011-12 Board Approved Funds



# Where the Money Comes From

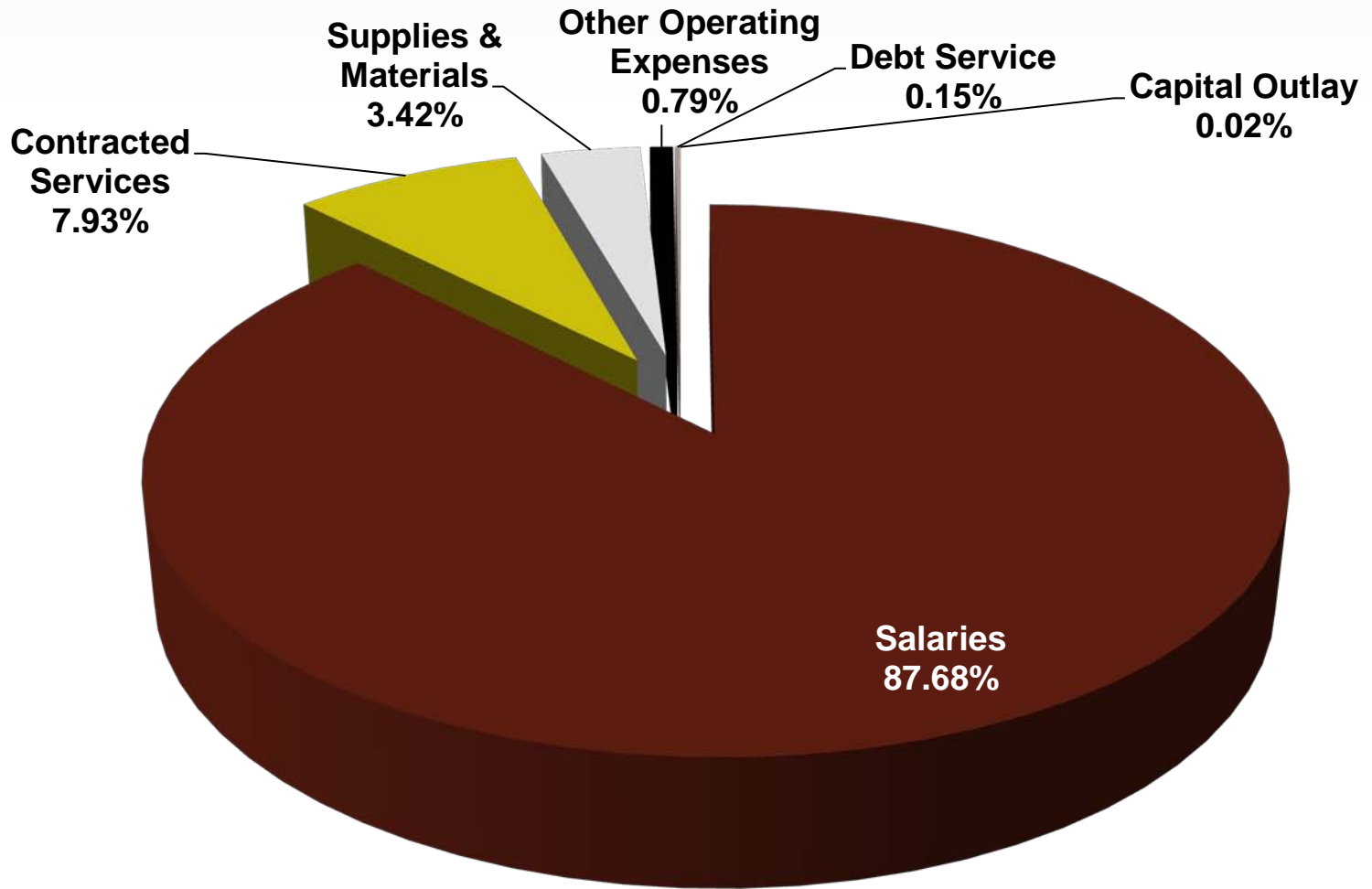


Before Recapture is Factored



After Recaptured is Factored

# FY2011-12 General Fund Budget by Object Excl. Chapter 41



# Where the Tax Money Goes (General Fund)

	<u>Total Budget</u>	<u>%</u>
<b>Direct Support to Classrooms:</b>		
Teachers/Classroom	\$419,734,596	50.06%
Libraries & Teacher Prof Develop.	27,581,177	3.29%
Principal's Office	46,812,796	5.58%
Counseling Services	18,726,353	2.23%
Social/Health Services	8,917,251	1.06%
Transporting Services	24,488,580	2.92%
Athletics/Co-curricular Activities	13,262,821	1.58%
Building Operations (Includes utilities)	77,374,097	9.23%
Campus Security	9,577,526	1.14%
Technology Services	17,244,095	2.06%
Capital Outlay	1,320,000	0.16%
Sub-Total – Direct Support	<u>\$665,039,292</u>	<u>79.31%</u>

# Where the Tax Money Goes (General Fund) cont.

<b>Indirect Support:</b>	<b><u>Total Budget</u></b>	<b><u>%</u></b>
<b>General Administration</b>	<b>\$17,064,813</b>	<b>2.04%</b>
<b>Instructional Leadership</b>	<b>9,795,691</b>	<b>1.17%</b>
<b>Debt Services</b>	<b>1,046,903</b>	<b>0.12%</b>
<b>Community Services</b>	<b>4,426,066</b>	<b>0.53%</b>
<b>Other Charges</b>	<b>5,951,442</b>	<b>0.71%</b>
<b>Sub-Total - Indirect Supports</b>	<b>\$38,284,915</b>	<b>4.57%</b>
<b>Chapter 41 Payments</b>	<b>\$135,176,524</b>	<b>16.12%</b>
<b>Total Direct and Indirect Supports</b>	<b>\$838,500,731</b>	<b>100.00%</b>

# The Impact of Social Security

- Of 1000+ Districts in Texas, Austin is one of less than 20 Districts participating in social security.
- \$33 million in total cost to AISD.
- No cost to most other Districts.
- Provides additional support to teachers; viewed favorably by teachers with more experience.
- Also comes out of teacher paychecks; viewed as a negative by teachers with less experience.

# The Impact of Health Insurance Coverage

- \$53 million in total cost to AISD.
- AISD spends an estimated \$2000 more per teacher than Districts participating in TRS Care.
- Provides solid support for teacher health care; full cost of employee-only premium paid by AISD.

# Local Revenue: Property Tax Collections

- Austin ISD,
  - Receives certified tax roll from county appraisal district (July)
  - Holds public hearing on budget and tax rate prior to adoption
  - Board adopts budget and tax rates prior to August 31
  - District sends to state any tax collections above statutory target revenue limits, aka recapture.

# Jurisdictions Involved in Tax Appraisal/Collection Process

- Travis County Appraisal District
  - Determines market value of each property as of Jan. 1 of each year
  - Reviews protests of contested values
  - Certifies the total taxable value for each taxing jurisdiction by July 25
- Travis County Tax Office
  - Collects taxes for each jurisdiction

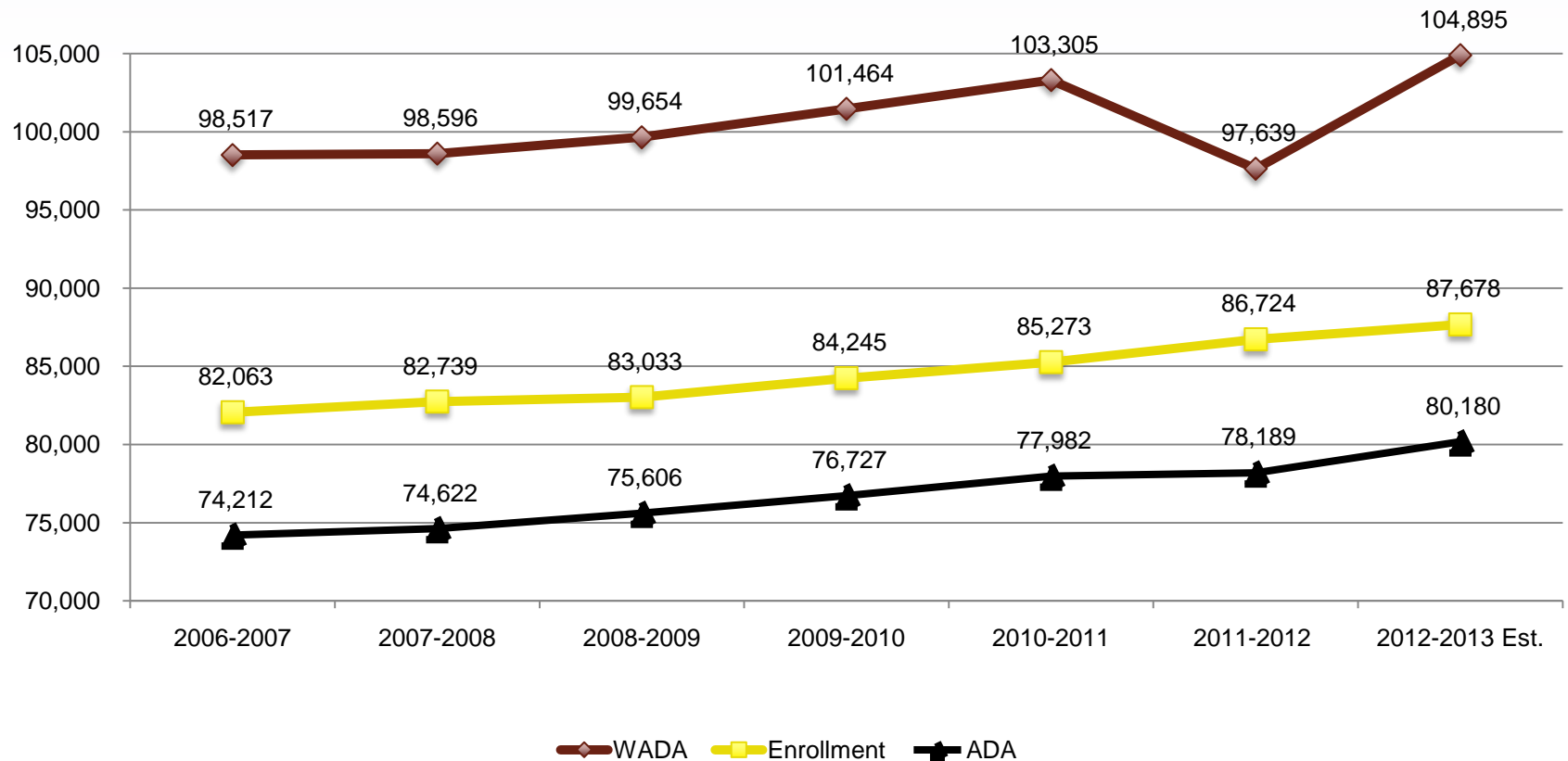
# Simple View of State's Funding Formula

- The majority of money each school district is entitled to every year is determined by two “layered” systems:
  1. Formulas in the Foundation School Program
  2. “Target Revenue” system implemented in 2006 when school district M&O rates were compressed
- Increased costs are borne by the district (unless the formulas increase)
- The benefit of increased values goes to the state budget (less GR needed to fund the existing formulas)
- Formula based on outdated weights and indexes that haven't been updated in over 20 years

# State Revenue: Target Revenue

- Target Revenue provides funding to school districts for tax revenue lost to rate compression (2006)
- Maintains a revenue per WADA (Weighted Average Daily Attendance) equivalent to FY2006/2007 levels which means no revenue growth
- Target revenue causes inverse relationship between tax collections and state aid
  - Increase in tax collections creates a decrease in state aid and an increase in recapture
  - Decrease in tax collections creates more state aid and a decrease in recapture
- Overall state aid/tax collections increase only if student enrollment grows

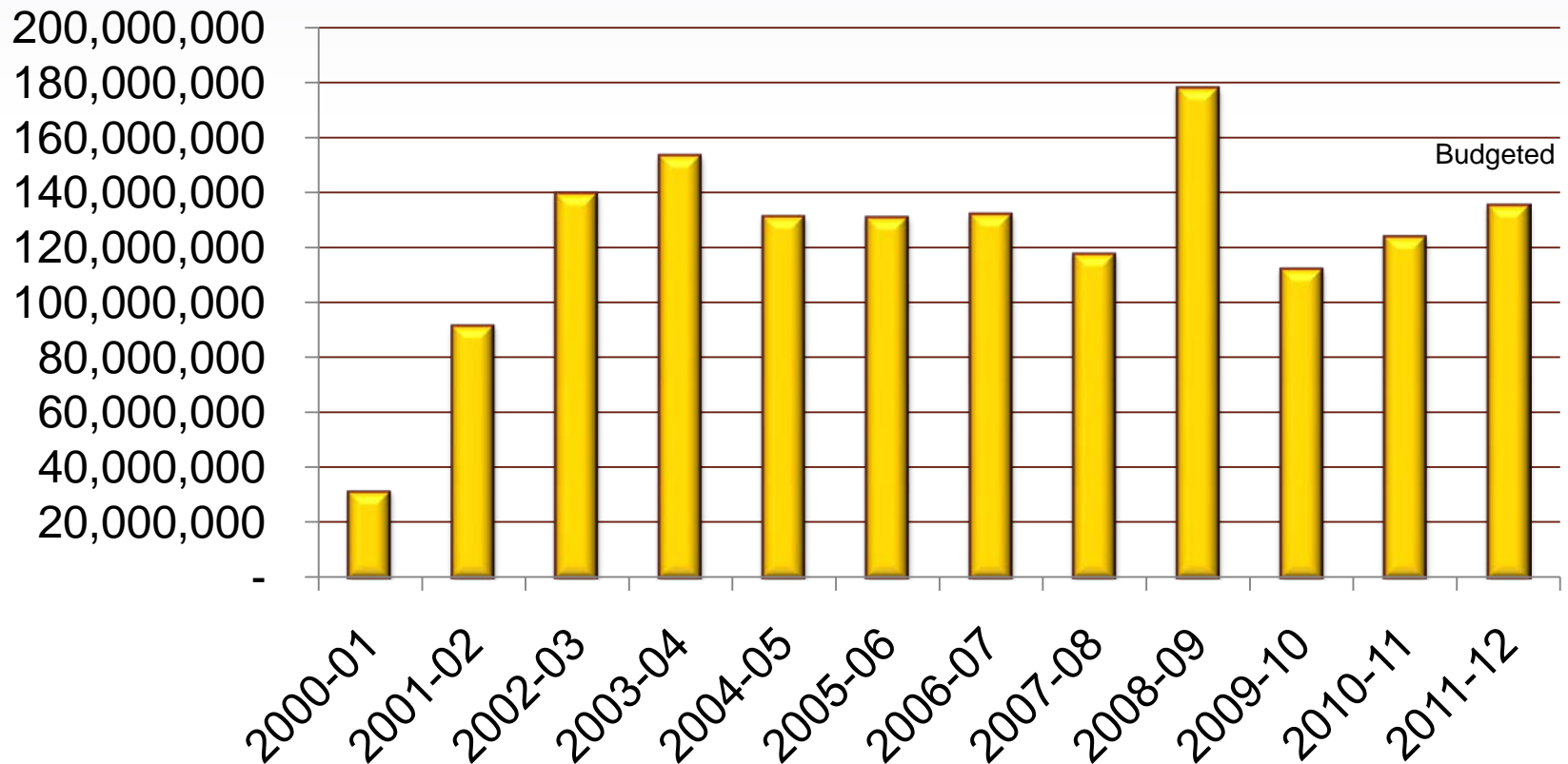
# Historical Enrollment, ADA and Growth



# The Impact of Recapture

- RECAPTURE, also known as Robin Hood or Chapter 41 is a function of Chapter 41 of the Texas Education Code which equalizes wealth for educational spending. The Chapter 41 provision is intended to “recapture” local tax dollars from “property-rich” districts and redistribute the funds to “property-poor” districts. Under this law, golden pennies represent the six cents that property-rich 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 these 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. In FY 2012, AISD will submit \$135.2 million to the state for redistribution.

# AISD Has Paid \$1.4 Billion to State in Chapter 41 Payments Since 2000-01

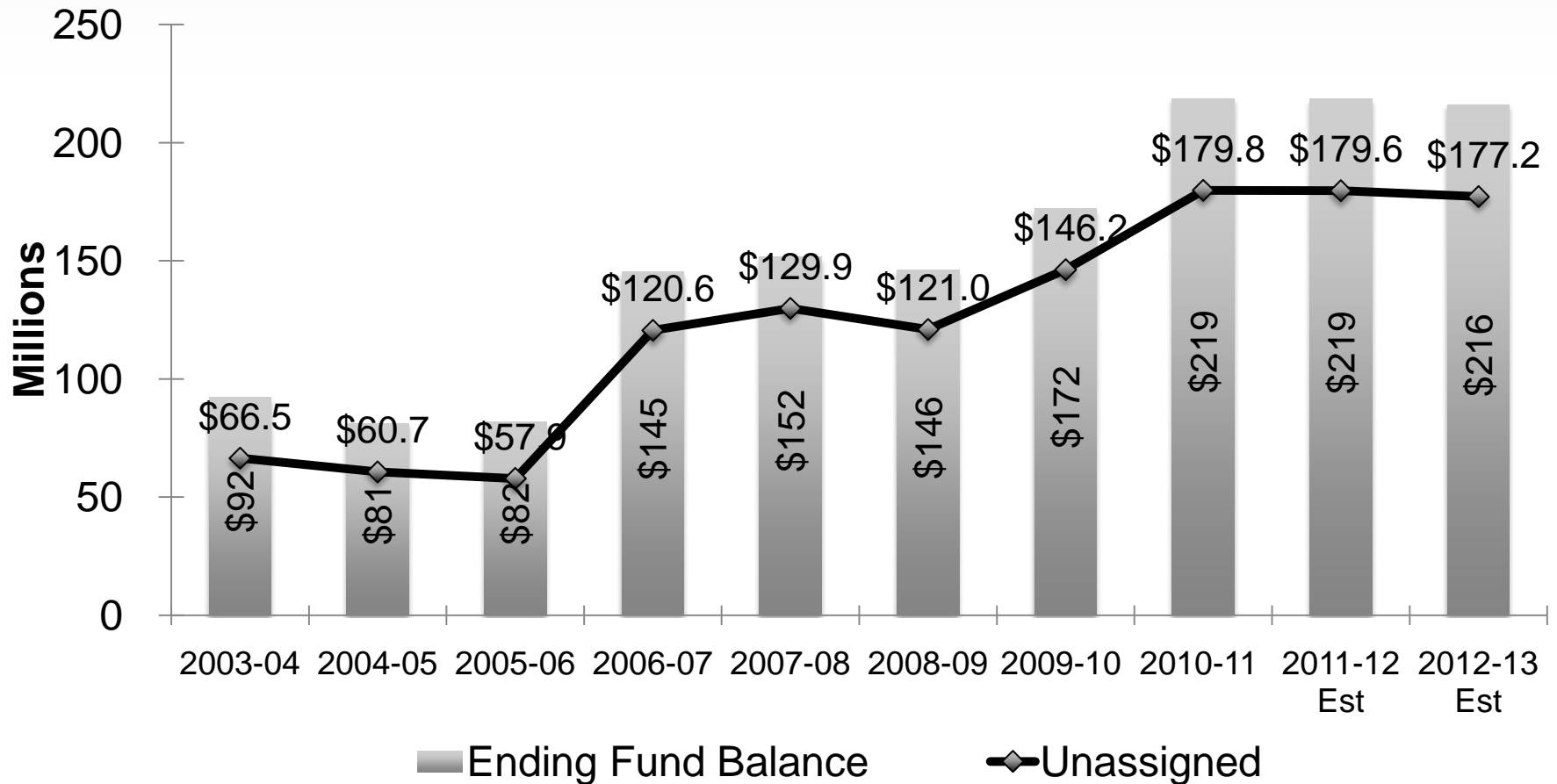


In FY2012, AISD will send \$135 million back to the State under Recapture. Under recapture, AISD must send approximately 45% of every penny of tax revenue generated back to the State.

# The Importance of Maintaining Adequate Reserves

- AISD is one of a handful (7) of Districts with the highest rating in Texas.
- Affects our overall credit worthiness which determines borrowing costs.
  - It is estimated we saved approx. \$10.5M in our most recent bond issue as a result of our increase in rating
- If the district experiences a “Ratings Downgrade” it would erode investor confidence and the district would incur higher interest costs.
- Other Internal Benefits:
  - Reserves can provide for cash flow needs until major revenues are received, reducing or eliminating the need for short term borrowing which has excessive costs; property tax collections lag until due date making it tougher to float payroll thru December
  - cover unforeseen expenditure needs, revenue shortfalls and emergencies;
  - provide funds to leverage state or federal grants (float); and,
  - meet new TEA Financial Accountability requirements and local School Board policies.
- Other External Benefits:
  - Reserves tend to be viewed favorably by investors, rating agencies, and local banks impacting ratings, investor confidence and ability to access to potential lines of credit; and,
  - Demonstrates financial stability.

# Reserves are Increasing in Proportion to Budget





# Tax Rate & Debt Overview

# Taxing Structure

- The M&O tax rate for AISD has remained unchanged for the last four fiscal years.
- The I&S tax rate remained unchanged for six fiscal years until FY 2011 due to a significant decline in assessed value.

Fiscal Year	Maintenance & Operations	Interest & Sinking	Total	Change from Previous Yr
2000-01	1.4104	0.1382	1.5486	
2001-02	1.4522	0.0964	1.5486	0.0000
2002-03	1.5000	0.0964	1.5964	0.0478
2003-04	1.5000	0.1137	1.6137	0.0173
2004-05	1.5000	0.1230	1.6230	0.0093
2005-06	1.5000	0.1230	1.6230	0.0000
2006-07	1.3700	0.1230	1.4930	(0.1300)
2007-08	1.0400	0.1230	1.1630	(0.3300)
2008-09	1.0790	0.1230	1.2020	0.0390
2009-10	1.0790	0.1230	1.2020	0.0000
2010-11	1.0790	0.1480	1.2270	0.0250
2011-12 Projected	1.0790	0.1630	1.2420	0.0150

# Taxing Jurisdiction Exemptions

	Austin ISD			City of Austin			Travis County		
	State Amt	Local Amt	Freeze Ceiling	State Amt	Local Amt	Freeze Ceiling	State Amt	Local Amt	Freeze Ceiling
Disability	\$ 10,000	\$ 15,000	Yes	\$ -	\$ 51,000	No	\$ -	\$ 65,000	No
Disabled Vet	\$ 5,000	\$ -	No	\$ 5,000	\$ -	No	\$ 5,000	\$ -	No
Disabled Vet Spouse	\$ 5,000	\$ -	No	\$ 5,000	\$ -	No	\$ 5,000	\$ -	No
Disabled Vet (2) Vet	\$ 7,500	\$ -	No	\$ 7,500	\$ -	No	\$ 7,500	\$ -	No
Disabled Vet (2) Spouse	\$ 7,500	\$ -	No	\$ 7,500	\$ -	No	\$ 7,500	\$ -	No
Disabled Vet (3)	\$ 10,000	\$ -	No	\$ 10,000	\$ -	No	\$ 10,000	\$ -	No
Disabled Vet (3) Spouse	\$ 10,000	\$ -	No	\$ 10,000	\$ -	No	\$ 10,000	\$ -	No
Disabled Vet (4)	\$ 12,500	\$ -	No	\$ 12,500	\$ -	No	\$ 12,500	\$ -	No
Disabled Vet (4) Spouse	\$ 12,500	\$ -	No	\$ 12,500	\$ -	No	\$ 12,500	\$ -	No
Homestead	\$ 15,000	\$ -	No	\$ -	\$ -	No	\$ -	20%	No
Over 65	\$ 10,000	\$ 25,000	Yes	\$ -	\$ 51,000	No	\$ -	\$ 65,000	No
Over 65 Spouse	\$ 10,000	\$ 25,000	Yes	\$ -	\$ 51,000	No	\$ -	\$ 65,000	No
<b>Historical Properties</b>									
		Land	Improvements		Land	Improvements		Land	Improvements
Homestead		25%	50%		50%	100%		50%	100%
Non-Homestead		12.5%	25%		25%	50%		25%	50%
	For exemptions granted after 12/31/2005 - not to exceed the greater of \$2,000 or 50% of the ad valorem tax that the District would otherwise levy on the property.			For exemptions granted after 12/31/2004 - not to exceed the greater of \$2,000 or 50% of the ad valorem tax that the City would otherwise levy on the property.					

**AISD is one of few, if any, school districts that offer an historic exemption. In FY2011, the school district placed a one-time moratorium on the Historic Exemption. It was reinstated for FY2012.**

# M&O: Tax Ratification Elections (TRE)

- For 25 years, school districts were only required to hold rollback elections if the Board-adopted tax rate exceeded the calculated rollback tax rate. The district's calculated rollback rate typically represented a small increase as it is intended to maintain existing revenue levels.
- May 2006, the Texas Legislature passed House Bill 1 (HB 1), creating a target revenue system for funding school districts and adjusting the tax rate calculation process, as well. The state requires districts to compress maintenance tax rates at 1.00 and gives them the option of approving up to four cents of additional tax.
- To increase local property tax rates further, school boards need to adopt a higher rate and then submit the rate for voter approval at a tax ratification election (TRE).
- Failure to pass a TRE leaves school districts with the same tax rate as the prior year, not a slightly higher rate as was the case with the former rollback process.
- AISD successfully passed a TRE in 2008 to increase its tax rate by 3.9 cents.

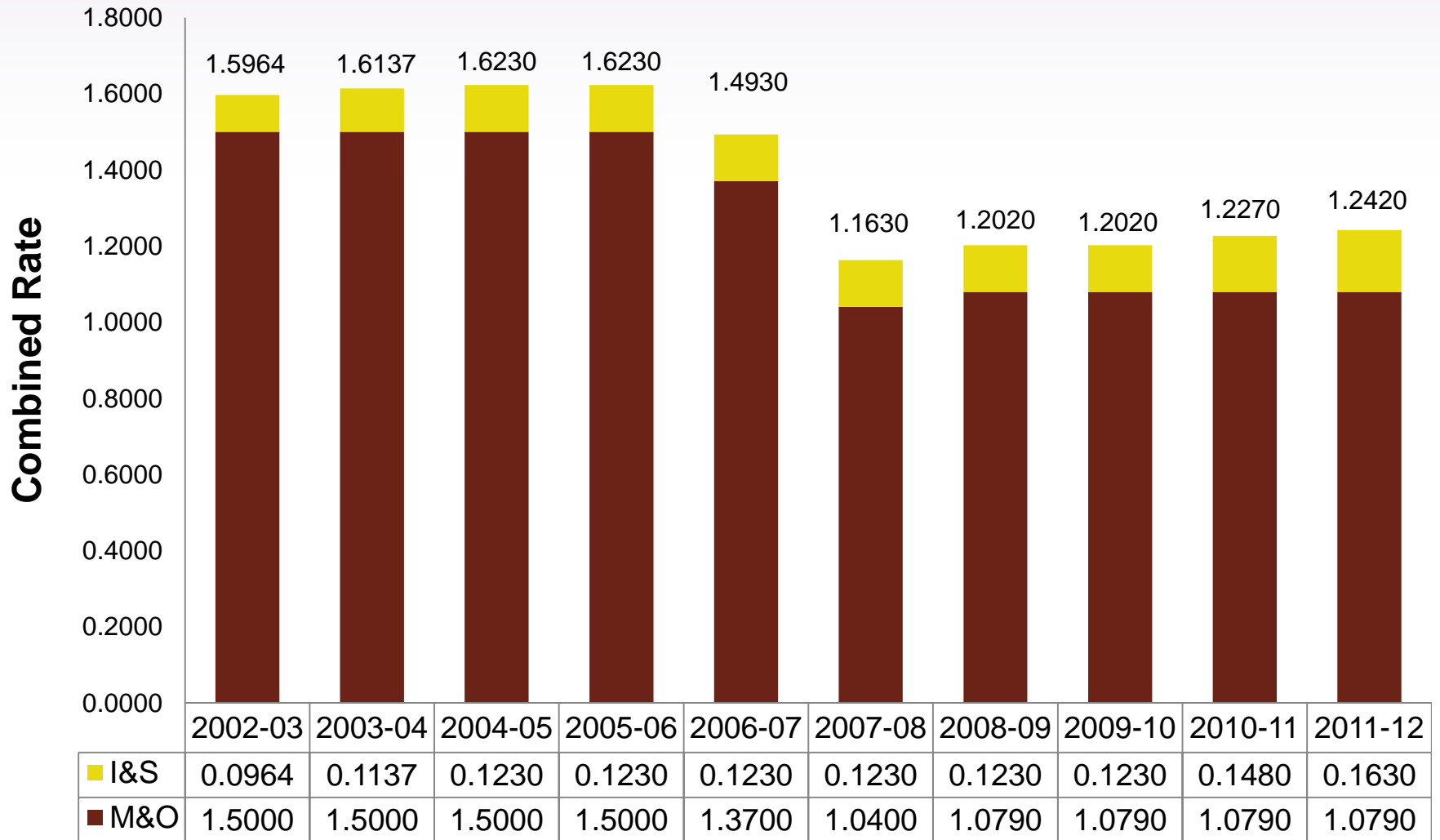
# Tax Rate Limitations

- Under tax code, school district M&O tax rates may not exceed the rate equal to the sum of \$0.17 and the product of the state compression multiplied by \$1.50.
  - The state compression percentage is currently 66.67 percent, so the M&O rate limit for most school districts is \$1.17.
- A school district also may adopt a rate up to \$0.50 for “new” debt plus a rate for “old” debt.
  - “New” debt is debt authorized after April 1, 1991, and issued after September 1, 1992; “old” debt is debt authorized prior to those dates.

# Maintenance & Operations Tax Rate

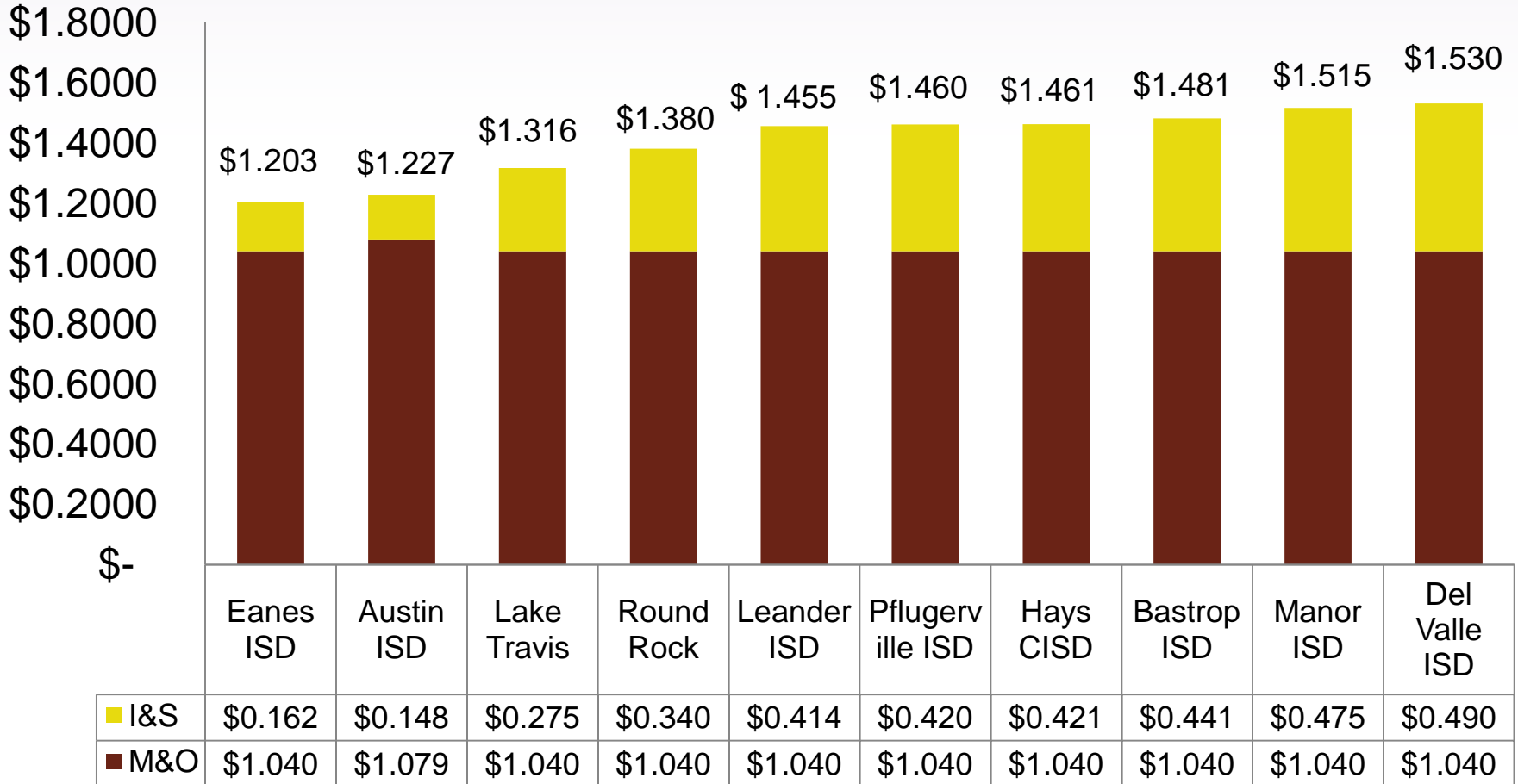
\$1.00	=	Compressed rate
0.04	=	Golden pennies <ul style="list-style-type: none"><li>▪ no voter approval required</li><li>▪ not subject to recapture</li></ul>
0.02	=	Silver Pennies <ul style="list-style-type: none"><li>▪ voter approval required</li><li>▪ not subject to recapture</li></ul>
0.11	=	Copper pennies <ul style="list-style-type: none"><li>▪ voter approval required</li><li>▪ subject to recapture</li></ul>
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\$1.17		Max. Rate Allowed

# Tax Rate History



# Tax Rate Comparison to Surrounding ISDs

(FY 2011)



# Historical Tax Burden of AISD Tax Rate

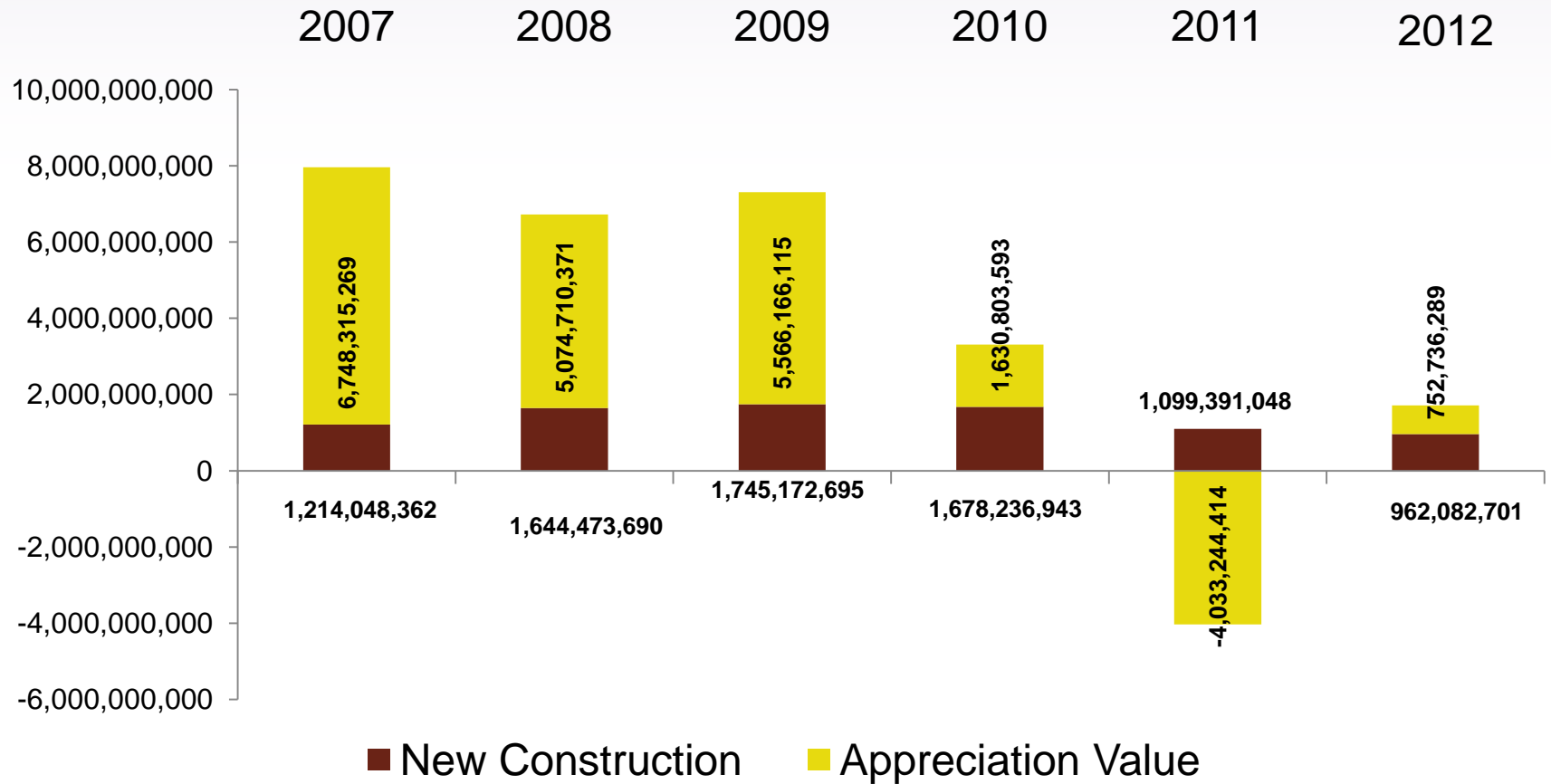
	2007-08	2008-09	2009-10	2010-11	2011-12
Average Market Value of Residence	\$240,397	\$266,823	\$277,663	\$265,573	\$262,886
Average Taxable Value	211,720	232,925	248,405	245,593	244,799
Tax Rate per \$100 Value	1.163	1.202	1.202	1.227	1.242
Taxes Levy on Average Residence	2,462	2,800	2,986	3,013	3,040
Net Increase In Tax Levy	-	337	186	27	27

# Taxable Values Five Year History

<u>Fiscal Year</u>	<u>Taxable Value</u>	<u>% Change</u>
2007-08	54,618,050,146	
2008-09	60,988,573,754	11.11%
2009-10	63,835,241,676	4.66%
2010-11	62,126,741,042	(2.68%)
2011-12	63,637,502,885	2.43%

Taxable Value as certified by the Travis Central Appraisal District including supplements through July 13, 2011; subject to change.

# Change in AISD Market Values



# Recent Election History

Year	Purpose	Authority
1996	School facility renovations, new schools & technology	\$369,475,000
2002	Health & Safety needs	\$49,294,368
2004	School facilities for new schools, performing arts ctr., safety, buses	\$519,526,616
2008	Tax ratification election	Increased tax rate 3.9 cents
2008	School facilities needs to relieve overcrowding, critical renovations expansion and technology	\$343,717,819
<u>Future Considerations:</u>		
2012	Tax Ratification Election to support compensation and offset State revenue losses (FY2012-13)	Nine cent increase generates \$50M in revenue, after State formulas, AISD only keeps \$35M
2013	Bond Election for public school facilities needs and expansion	\$TBD

# Election Planning

## Bond Election

- Citizens' Bond Advisory Committee is comprised of various community members who make the recommendation to the Board on the Scope of Work for the potential bond
- Board of Trustees must approve the order calling the election, the legal document that formalizes the scope of work for the bond program at least 60 days prior to the election
- Groundwork for a May 2013 election is expected to commence in January 2012

## Tax Ratification Election (TRE)

- Intrinsically tied to the budget development process (Sept.- Aug)
- Board adopts tax rate at proposed higher rate and then takes action to call for the election (June/Aug.)



# The State Budget & School Finance

# FY 2011/12 Budget Development Process

- One Goal -
  - Balance Limited Resources with Unlimited Needs
- Budget Process
  - ▣ Transparent and open
  - ▣ Targets use of limited resources to specific goals
  - ▣ Considers short and long range fiscal implications
  - ▣ Evaluates the achievement of intended outcomes
- Stakeholder Involvement
  - ▣ Administration and district staff
  - ▣ Citizens Budget Review Committee (CBRC)
    - Review of budget and financial reporting process
    - Evaluation of programs/initiatives to improve student achievement
    - Review of operational efficiency
  - ▣ Other groups – i.e.. DAC, Education Austin, Chamber of Commerce, AASPA

# FY2012 Budget Development Calendar: Key Dates/Actions

## Sept 2011

- ❑ Board Budget Parameters Adopted

## Oct 2011

- ❑ Board Approves 2012-13 Budget Calendar

## Nov 2011

- ❑ Board Reviews Assumptions, Staffing Formulas, Enrollment Projections, Staffing Guidelines and Fund Balance Condition
- ❑ Board Determines Strategic Plan Priorities
- ❑ Board Action on Facilities Master Plan Framework

## Dec 2011

- ❑ Revised Financial Forecast for FY 2013-2015
- ❑ Board Action on Annual Facilities Recommendations

## Jan 2012

- ❑ Budget Office Compiles Budget

# FY2012 Budget Development Calendar: Key Dates/Actions cont..

## Feb 2012

- ❑ Superintendent presents the Preliminary 2012-13 to the Board, Public and Media

## Mar 2012

- ❑ Community Conversations on the Preliminary Budget

## Apr 2012

- ❑ Board Discussion on Preliminary 2012-13 Budget and Tax Rate
- ❑ Superintendent presents the Revised 2012-13 Budget based on community & Board Feedback
- ❑ Public Hearing on 2012-13 Revised Budget

## Jun 2012

- ❑ Superintendent presents the Recommended 2012-13 Budget to the Board, Public and Media
- ❑ Board Conducts Public Hearing on Proposed Budget and Tax Rate
- ❑ Board Adopts the Budget

## Aug 2012

- ❑ Board adopts Tax Rate
- ❑ Board Approves Budget Amendments for FY2013

# QUESTIONS

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