

2018-19
**BUDGET
DEVELOPMENT**

April 9, 2018
Board Update



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2018–19

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Agenda

- Hurricane Harvey Recovery Status
- Interim Legislative Update
- Budget Forecast and Development

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A graphic featuring a red, stylized hurricane symbol on the left. A red rectangular box with a white border and a drop shadow contains the word "HURRICANE" in white, bold, italicized capital letters. Below this box, the word "HARVEY" is written in large, light blue, bold, italicized capital letters. The background is a satellite-style map of the United States and surrounding oceans, with a blue grid overlay.

HURRICANE

HARVEY

Hurricane Harvey Recovery Update

- Current estimate of total losses = \$14.1M
- Recovery options (in order)
 - » Insurance
 - » FEMA
 - » State
 - » District



FEMA Categories & Common Eligible Work

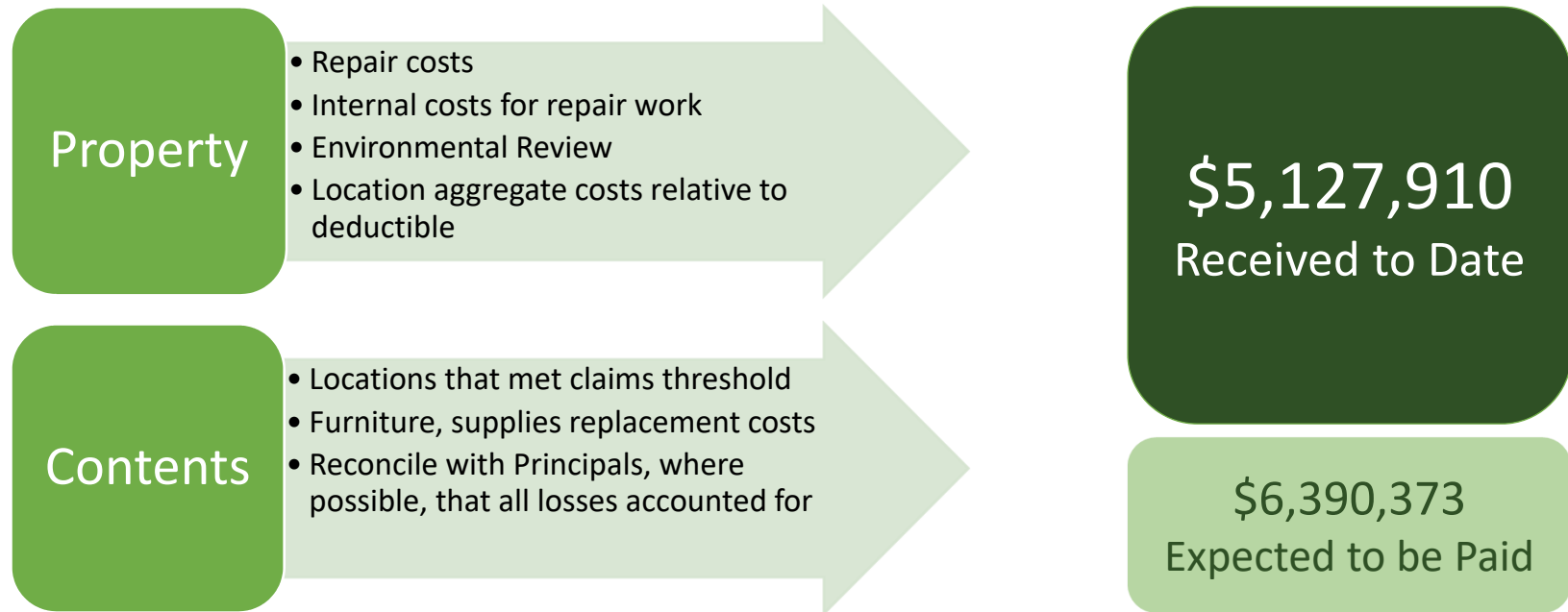
A	B	C	D	E	F	G
Debris Removal	Emergency Protective Measures	Roads & Bridges	Water Control Facilities	Buildings & Equipment	Utilities	Parks, Recreation, & Other
	<ul style="list-style-type: none"> • Search & Rescue • Security • Emergency Pumping • Sandbagging • Detour & Warning • Signs • EOC Activation • Emergency & Temporary Repairs • Overhead Power Lines • Emergency Medical Facilities • Emergency Evacuations • Activities undertaken before, during and following a disaster to save lives, protect improved property 		<ul style="list-style-type: none"> • Dams and Reservoirs • Levees • Engineered Drainage Channels • Canals • Aqueducts • Sediment Basins • Shore Protective Devices • Irrigation Facilities • Pumping Facilities 	<ul style="list-style-type: none"> • Buildings • Structural Components • Interior Systems <ul style="list-style-type: none"> - Electrical - Mechanical - Contents <div data-bbox="1213 1117 1423 1328" style="border: 2px solid green; border-radius: 50%; width: 100px; height: 100px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p>194 Projects Submitted</p> </div>		<ul style="list-style-type: none"> • Playground Equipment • Swimming Pools • Bath Houses • Tennis Courts • Bat Docks • Piers • Picnic Tables • Golf Courses • Fish Hatcheries • Mass Transit • Facilities <div data-bbox="1738 1117 1969 1328" style="border: 2px solid green; border-radius: 50%; width: 100px; height: 100px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p>Playgrounds</p> </div> <div data-bbox="1768 1383 1936 1442" style="text-align: right;"> </div>

Estimated Losses & Expected Reimbursements

		Expected Recovery		
	Losses	Insurance	FEMA	TEA
Cat B: Shelters KHS, MHS	\$100,425	\$0	\$90,383	\$10,043
Cat D: Mercer Bern	724,900	518,583	185,685	20,632
Cat E: Buildings & Contents	12,975,100	11,000,000	1,777,590	197,510
Cate G: Playgrounds	300,000	0	270,000	30,000
Totals	\$14,100,425	\$11,518,583	\$2,581,842	\$258,184

* Current Estimate

Insurance Recovery to Date



* Current Estimate

Hurricane Harvey – State Aid

- TEA application for disaster assistance
 - » Texas Education Code (TEC), §41.0931
 - » Texas Administrative Code (TAC) §61.1014
 - » Eligible districts can apply for aid to cover disaster costs paid by the district
 - » The disaster must have occurred within the current biennium
 - » Relief payments offset by aid from federal government, other state aid, or other sources
- ADA Hold Harmless (in place)
- Property Value Hold Harmless (TBD)

Property Reappraisals

- Met with Chief Appraiser February 20

	Estimate
Damaged Properties	2,980
Estimated Loss in Value	\$98.7 M

* *Current Estimate*

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Interim Legislative Update

Year-To-Date in Numbers

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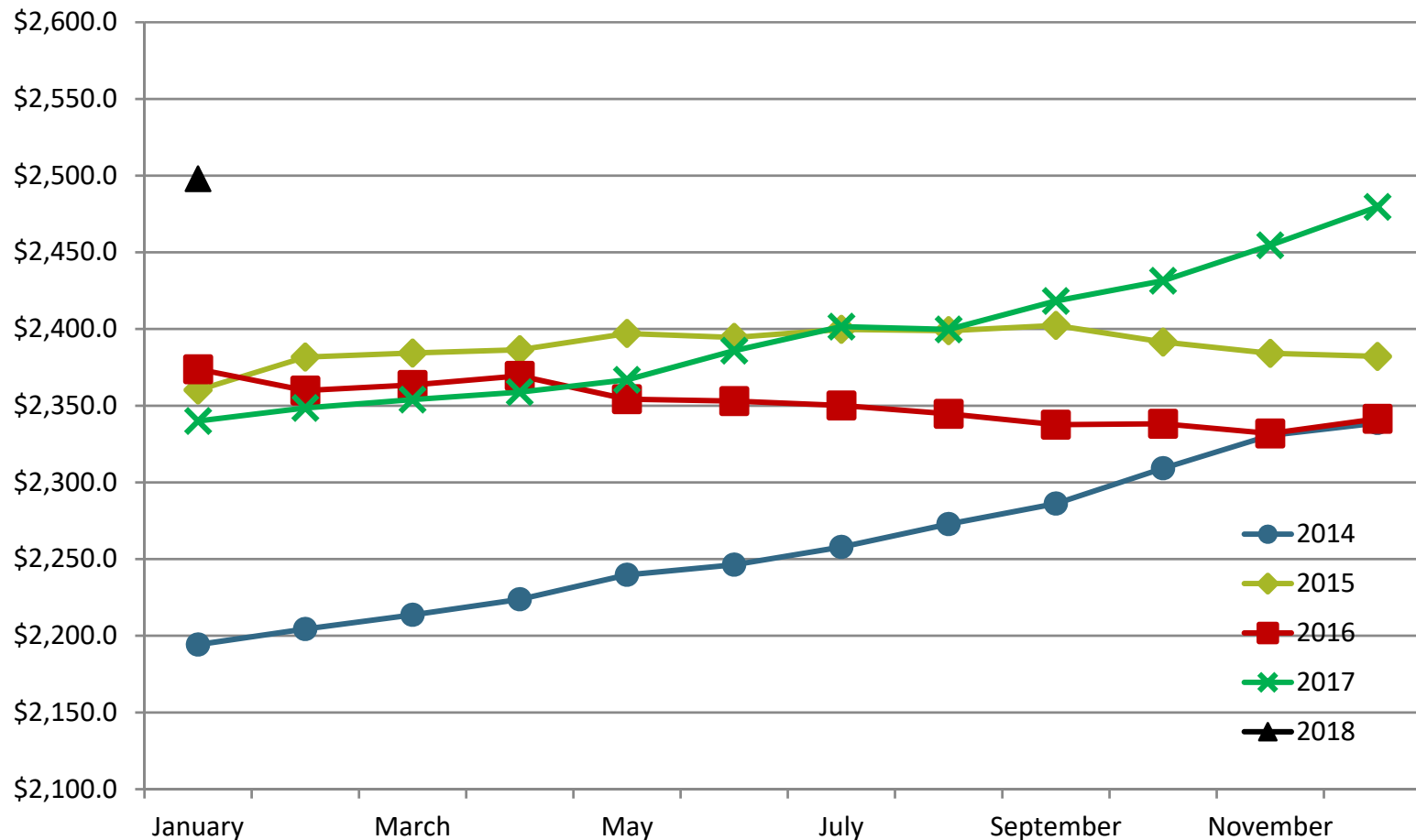
10%

SALES TAX REVENUE GROWTH

State Revenue Performance FY18

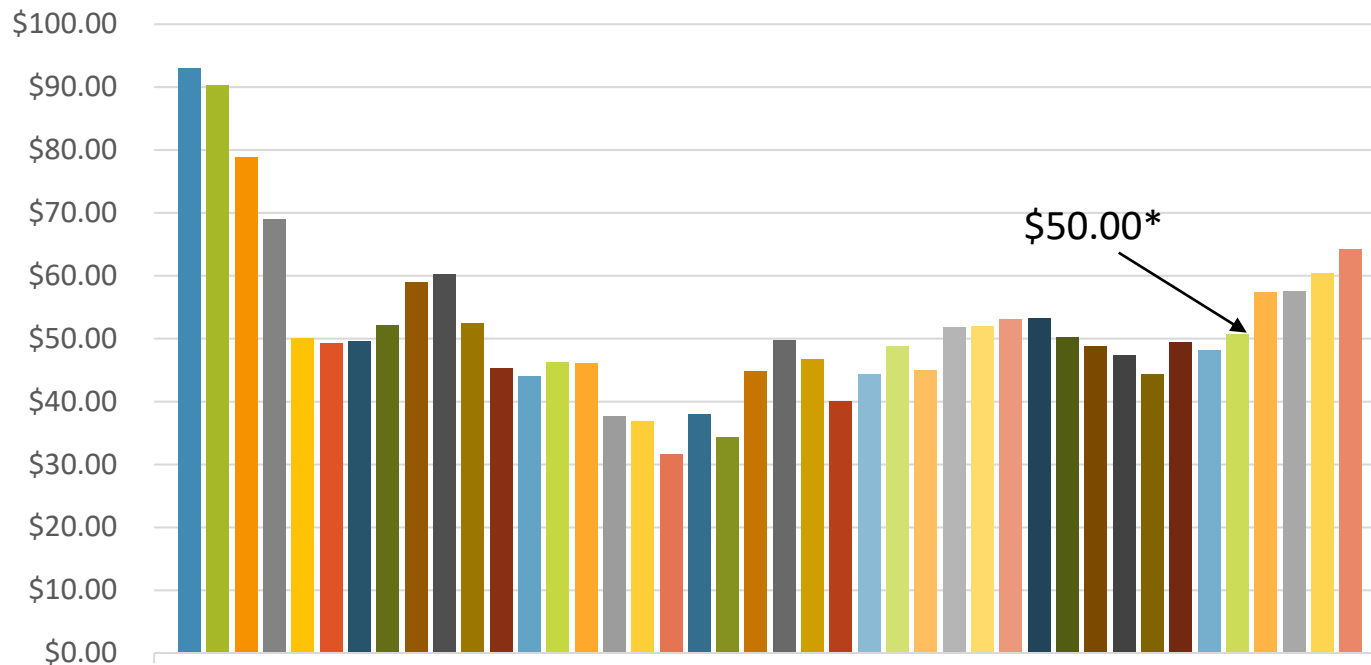
	Biennial Revenue Estimate Projected Growth	Actual Growth to Date
Sales Tax	5.50%	10.00%
Motor Vehicle Tax	10.27%	8.05%
Natural Gas Tax	-9.53%	55.59%
Oil Production Tax	9.85%	45.49%
Alcoholic Beverage Tax	4.63%	5.16%
Cigarette and Tobacco	-7.72%	-7.35%
Motor Fuels Taxes	1.61%	4.65%

1-Year Moving Average Monthly Sales Tax Collections



Oil Prices Stabilizing

Price of Oil per Barrel - Last 42 Months



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\$7 billion

POTENTIAL BUDGET SHORTFALL
FOR 2020-21 BIENNIUM

State Budget Challenges

- \$2.5 billion shortfall for Medicaid
- Hurricane Harvey
- Sales tax diversion to Highway Fund
- Deferrals and repayments from last session
- Texas Tomorrow Fund shortfall
- Continued TRSCare issues

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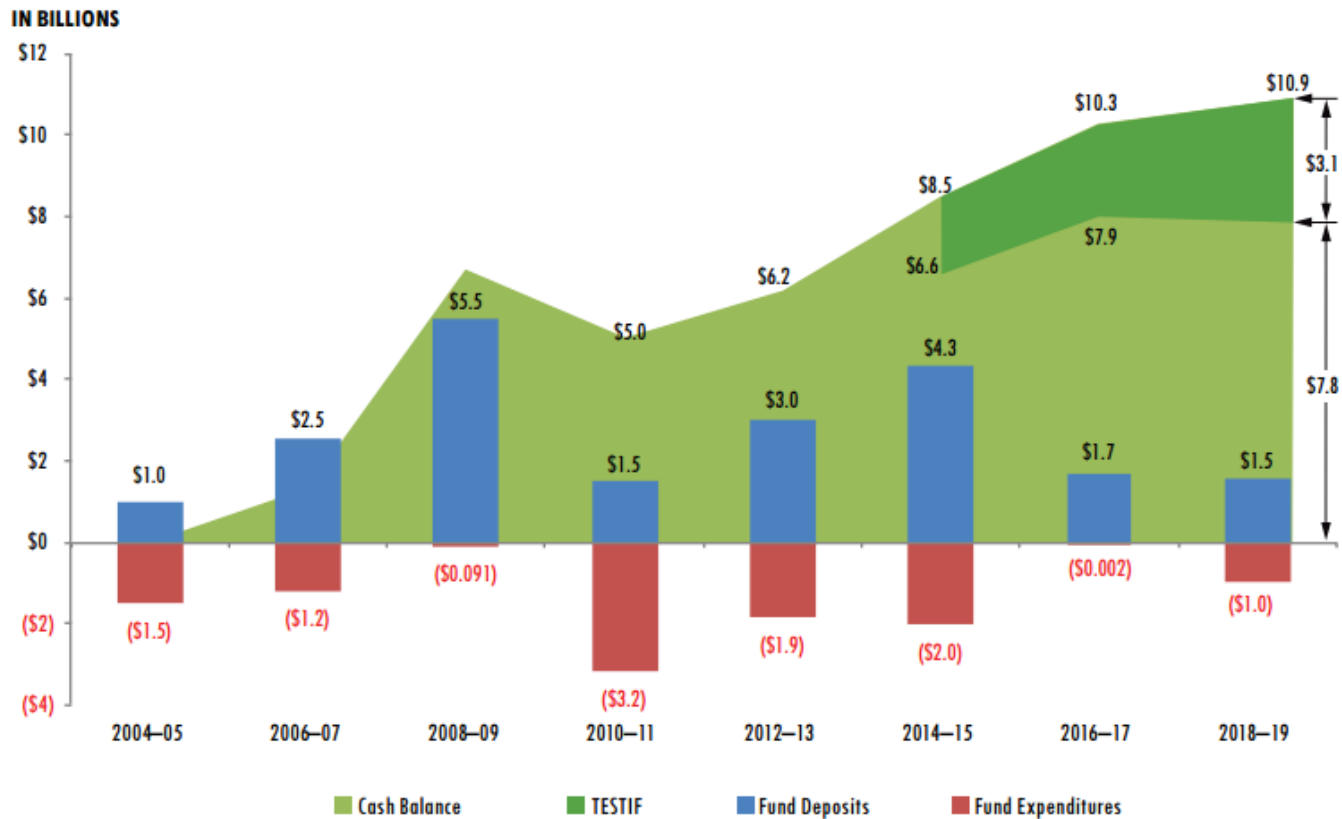


\$11+ billion

AMOUNT IN RAINY DAY FUND

State Rainy Day Fund

FIGURE 21
ECONOMIC STABILIZATION FUND BIENNIAL DEPOSITS, EXPENDITURES, INVESTMENTS AND FUND BALANCE
2004-05 TO 2018-19 BIENNIA



NOTE: Fiscal years 2017 to 2019 are projections based on the Comptroller of Public Accounts' 2017 Biennial Revenue Estimate.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

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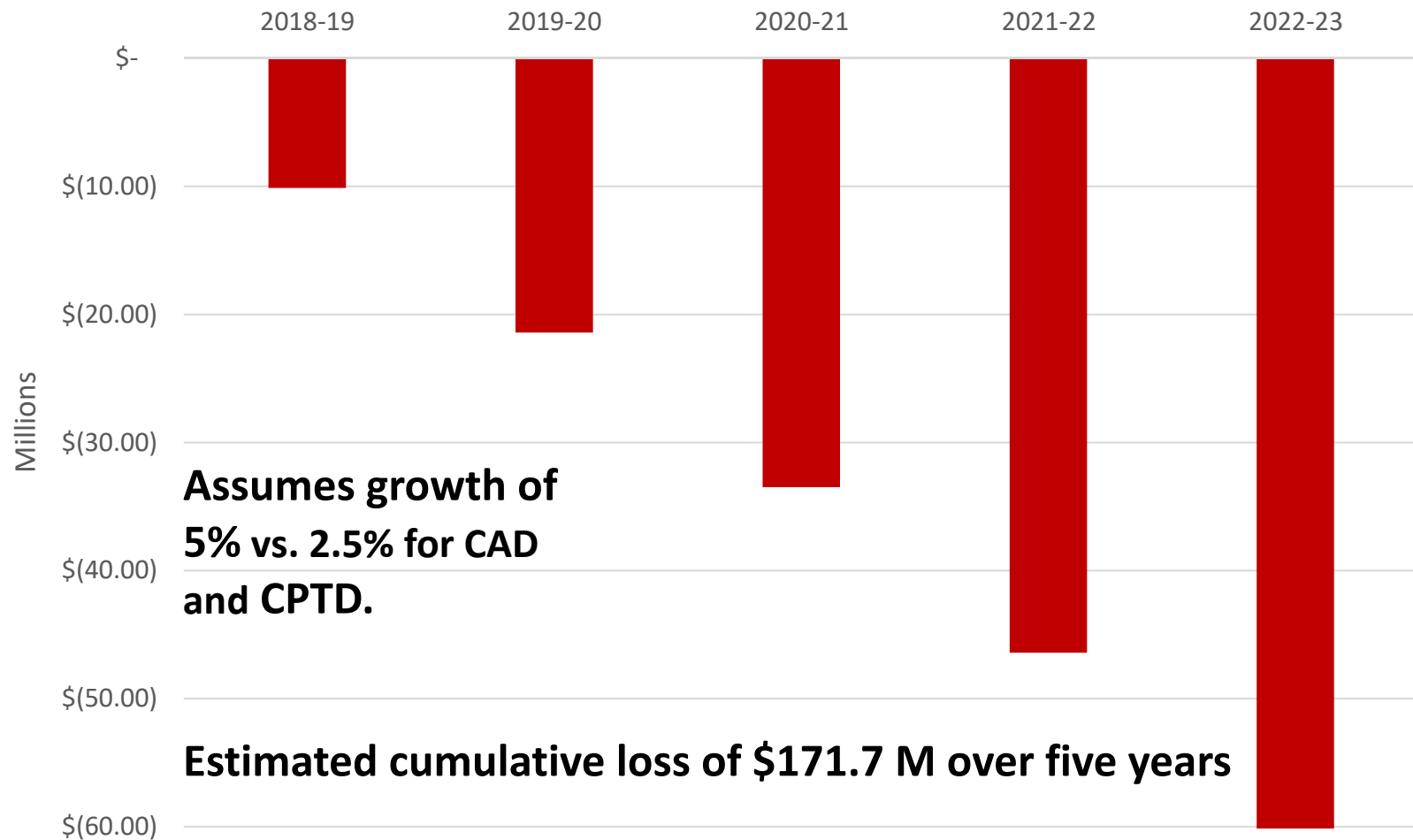
2.5%

GOV. ABBOTT'S PROPERTY
TAX RELIEF PLAN

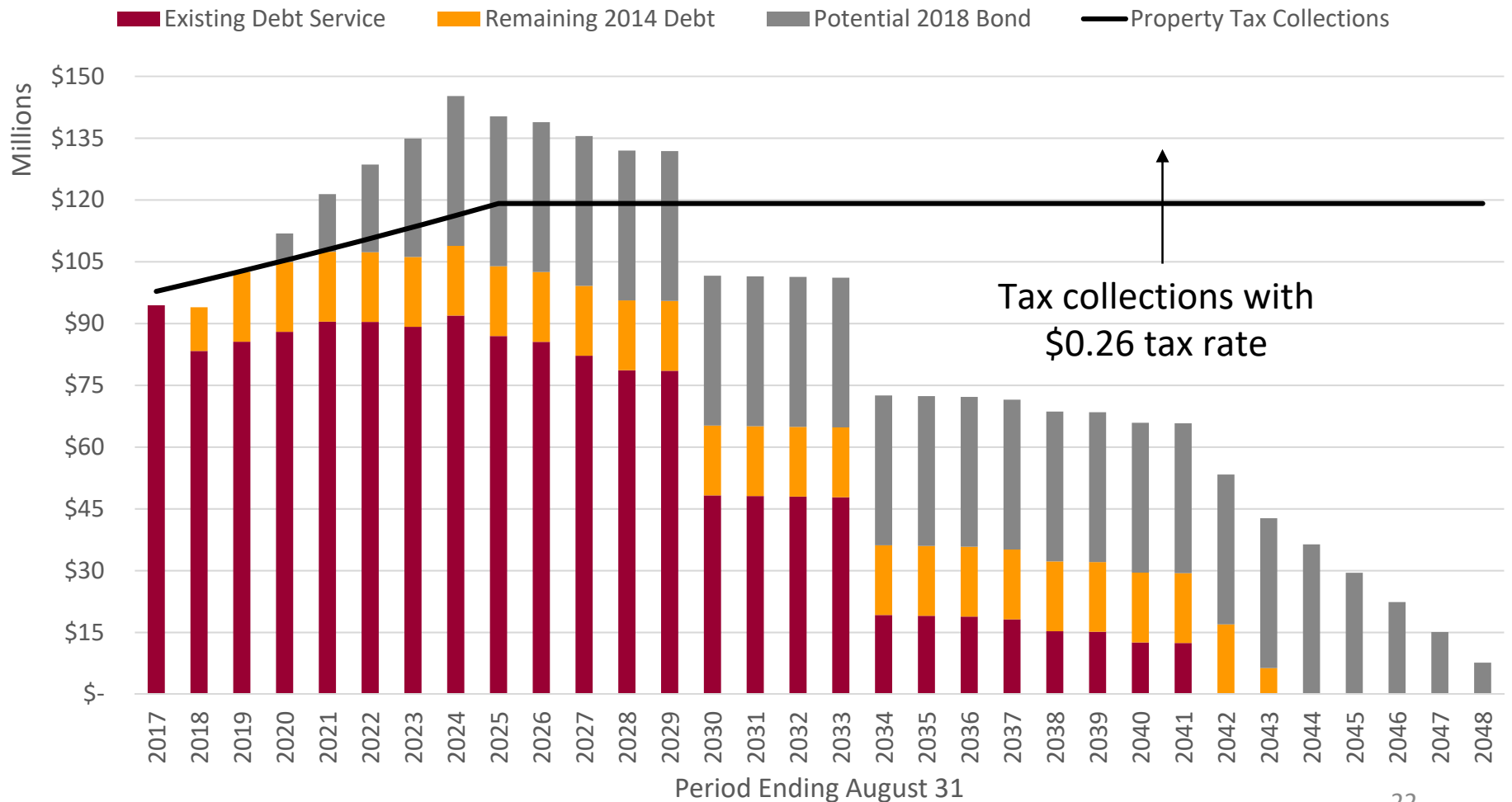
Governor Abbott's Tax Relief Plan

- Revenue cap of 2.5% per year for cities, counties, and school districts
 - » Voter approval required for any revenue increase above 2.5%
 - » Increases in excess of cap are also limited to specific purposes (compensation for teachers, instructional personnel, classrooms)
 - » 2/3rds vote required
 - » Even with voter approval, increases may not exceed statewide population and inflation growth
- Two-thirds supermajority to authorize new debt with 33% of qualified registered voters in the district voting

Potential Revenue Loss



Summary of Debt with Tax Cap



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13 members

Appointed to Texas Commission
on School Finance

Members of the Commission

- Commission composed of thirteen members
 - » Four members appointed by the Governor
 - » Four members appointed by the Lt. Governor
 - » Four members appointed by the Speaker of the House of Representatives
 - » One member appointed by the Chair of the SBOE

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Gov. Abbott's Goals

Letter to the Commission:

1. “Redesign a system” that prioritizes “spending that is proven to improve student outcomes”
2. “Create a system that fosters innovation” learn from successful schools and “replicate their success statewide”
3. “Explore alternatives to the burdensome and inefficient property tax”

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Recommendations issued from
2009 Select Committee

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274 days

FIRST DAY OF 86TH
LEGISLATIVE SESSION

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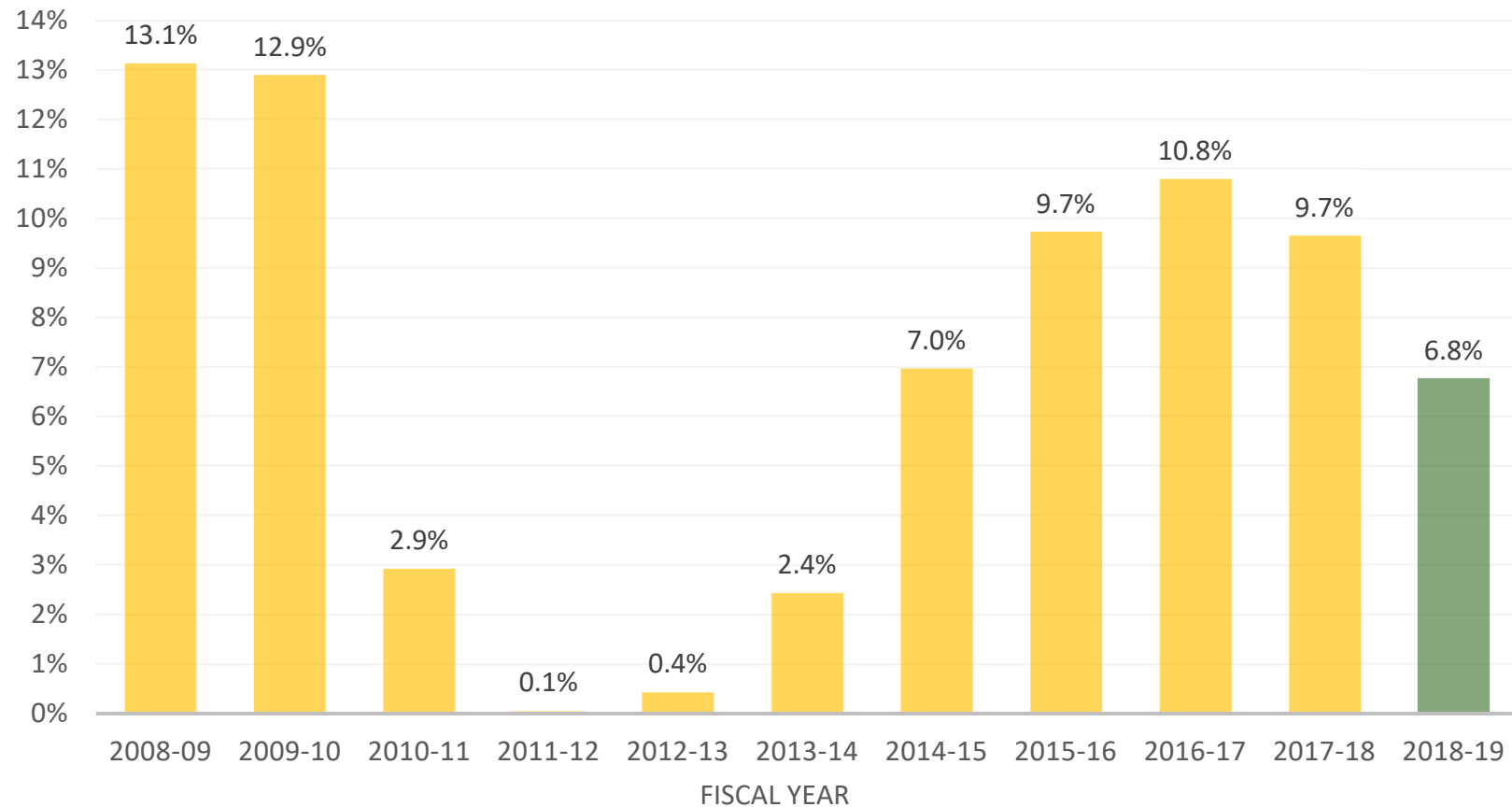


2018-19 Outlook

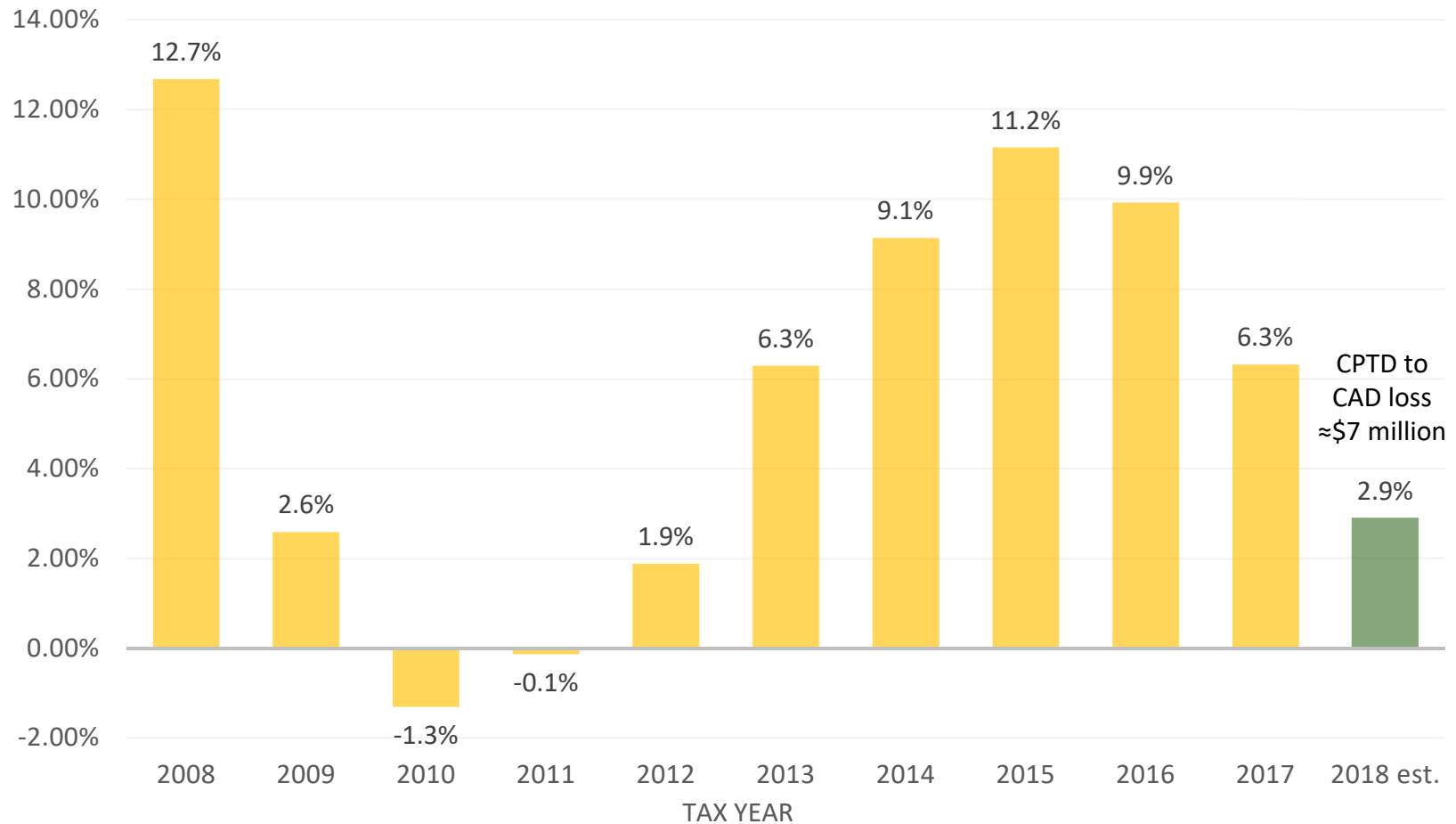
Background on Local Values

- Met with Chief Appraiser on February 20
- Received preliminary estimates for property values
 - » Harvey impact estimated at \$97.7 million
 - » Future new growth will be impacted by reconstruction
 - » Large number of exemptions expected prior to April
- Initial estimate for 2018 is \$36.8 billion
 - » Growth of 2.9% over 2017 certified values
- As expected, local growth is less than prior year CPTD growth, negatively impacting state collections

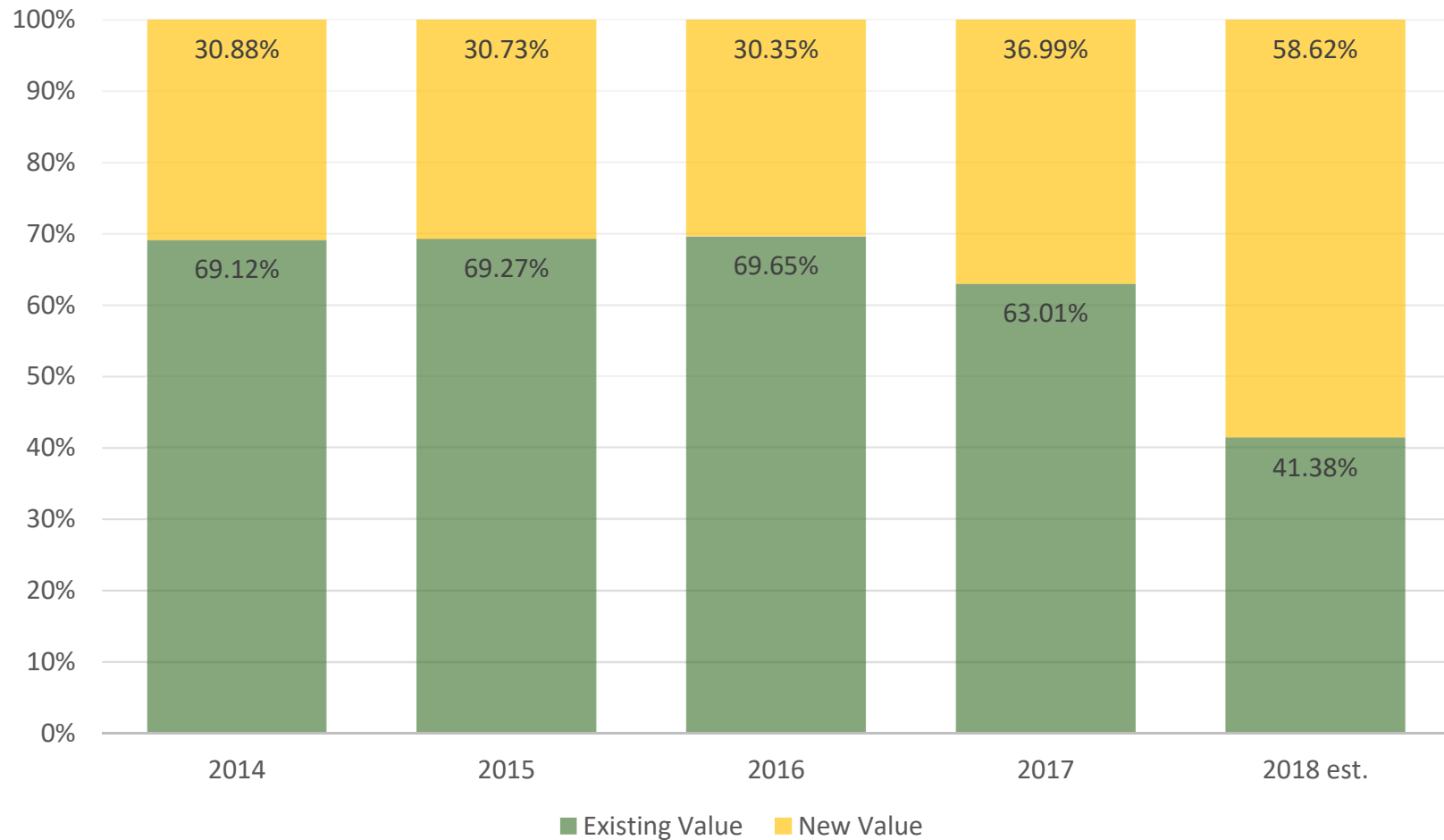
Change in CPTD Property Values



Change in Certified Net Taxable Value

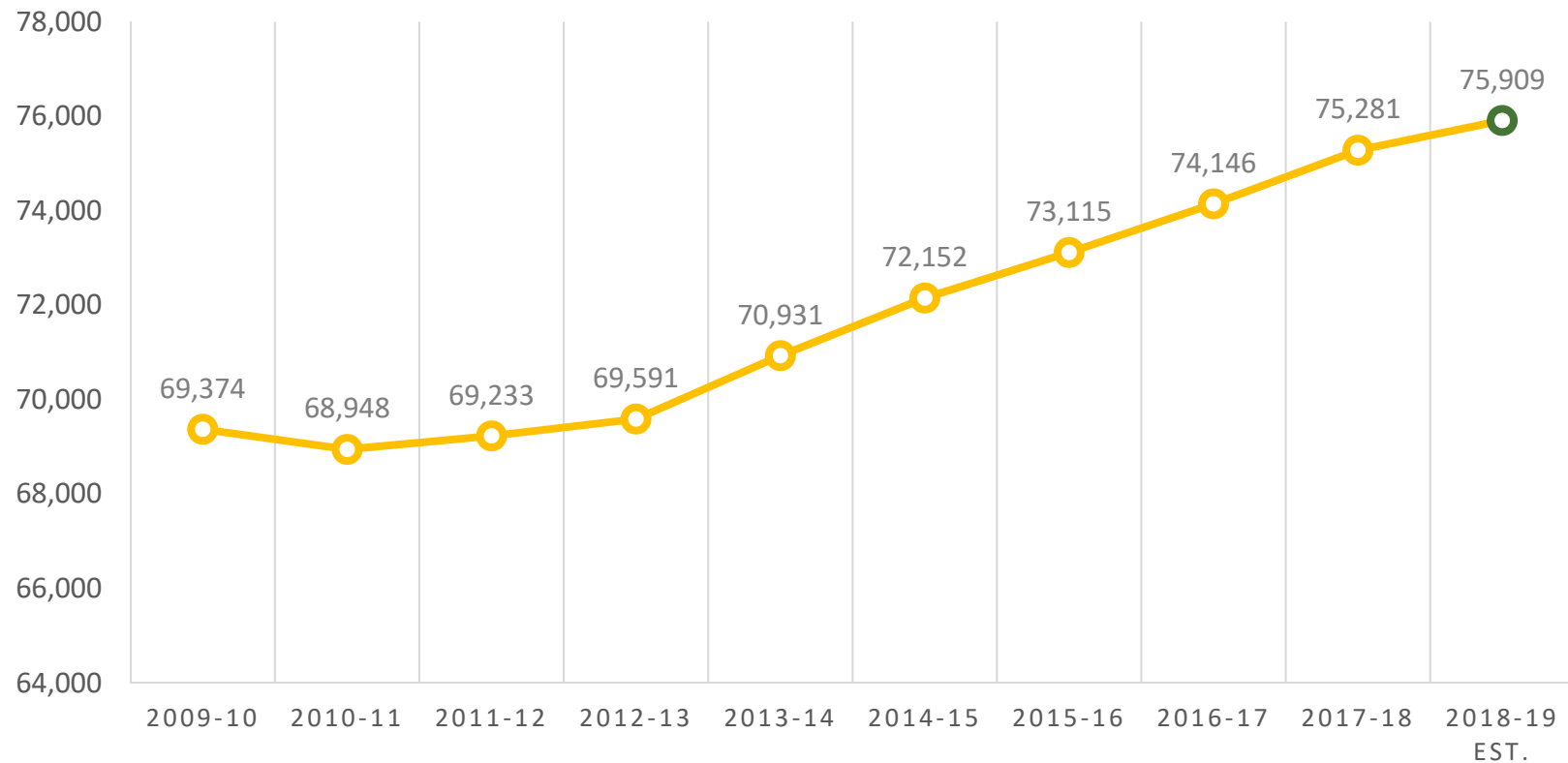


New Value from Growth



Enrollment Growth

PEIMS SNAPSHOT (OCTOBER)



Source: OnSuite and PASA

2017-18 Positive Revenue Developments

- Local Revenues
 - » Higher than anticipated interest earnings
 - Revenue estimated \$1.0 million higher than budgeted
 - Additional recurring revenue of \$1.0 million annually
- State Revenues
 - » CPTD Adjustment
 - One-time payment of \$1.0 million in 2017-18
 - » Weighted Average Daily Attendance: 90,658 (2.6% increase)
 - » Free & reduced: 39% of enrollment (1.4% increase over est.)
- SHARS
 - » Catch up payment of \$1.5 million in 2017-18
 - » Additional Recurring revenue of \$1.0 million annually

Expenditure Outlook

- Using forecasted numbers from 2017-18 forecast as starting point
- Strategic adjustments made based on work completed by BCC and Leadership Town Hall
- Includes key investments to:
 - » Attract and retain competitive teaching staff
 - » Create programs that advance board goals and objectives

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2018-19 Budget Assumptions

Average daily membership:	75,909
Average daily attendance:	96.5%
Property value growth:	3% CAD
CPTD value growth:	6.8% CPTD
WADA growth:	0.9%
Free and reduced count:	32,717 (43%)
Teacher step increases:	\$2.6 M
Thornton MS staffing:	\$2.50 M (46 FTEs)

Budget Efficiencies Work

- Initiated in September 2017 with BCC and Leadership Town Hall
- Initial list of ideas developed
- Ideas shared organization-wide with feedback provided through “Let’s Talk”
- Assistant superintendent led task forces
 - » Campus staffing guidelines (elementary and secondary)
 - » Consolidation of bilingual and pre-k programs
- Potential to review other ideas on the list in 2018-19
 - » Possible consolidation and repurposing of campuses based on outcome of facilities master plan

Budget Efficiencies

Efficiencies	Estimated Savings
Energy savings (rate change and behavior)	\$2,645,500
Central Office budget reductions	2,608,227
Electronic report cards	215,219
Hiring review for central admin positions	735,000
Bilingual consolidation	897,341
Pre-K consolidation	317,800
Redirect AP interns to classrooms	310,082
Centralize educational assistants	750,000
Fee and program adjustments	192,000
Total Efficiencies	\$8,671,169

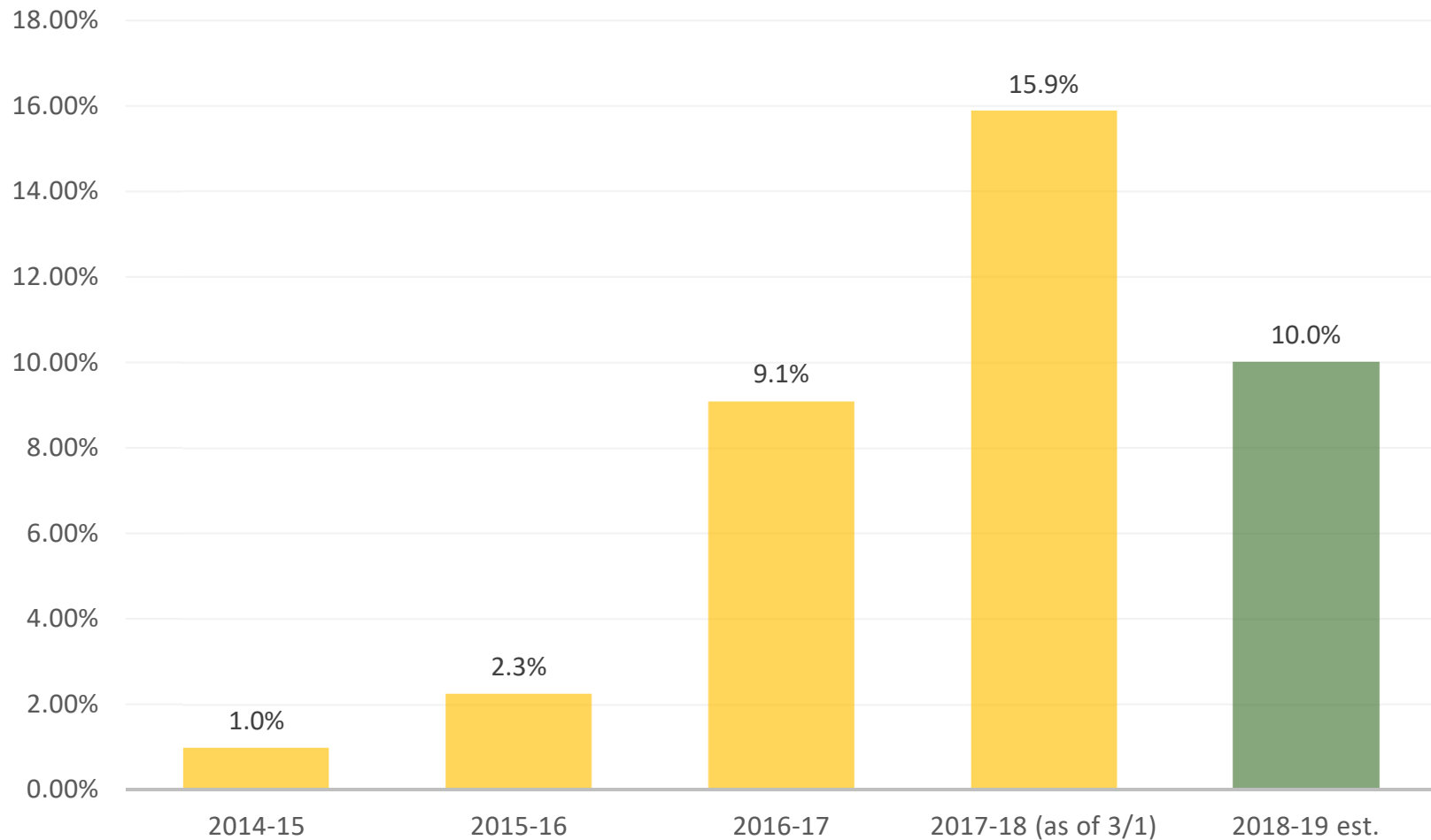
Other Identified Potential Savings

Other Savings	Estimated Savings
Adjustment to extra planning periods	\$2,108,260
Instructional materials allotment	1,545,170
Grandfathered bus routes	306,000
Telecom audit	250,000
Total Other Savings	4,296,170
Budget Efficiencies	8,671,169
Total Identified Savings	\$12,967,339

Other Expenditure Adjustments

Other Expenditures	Estimated Cost
Early Literacy Center (initial estimate)	\$3,880,061
EDGE stipends	186,376
Campus budget adjustments	123,554
Portable moves (2019)	1,600,000
Health fund contribution (\$36 PEPM)	3,000,000
Totals	\$4,909,930

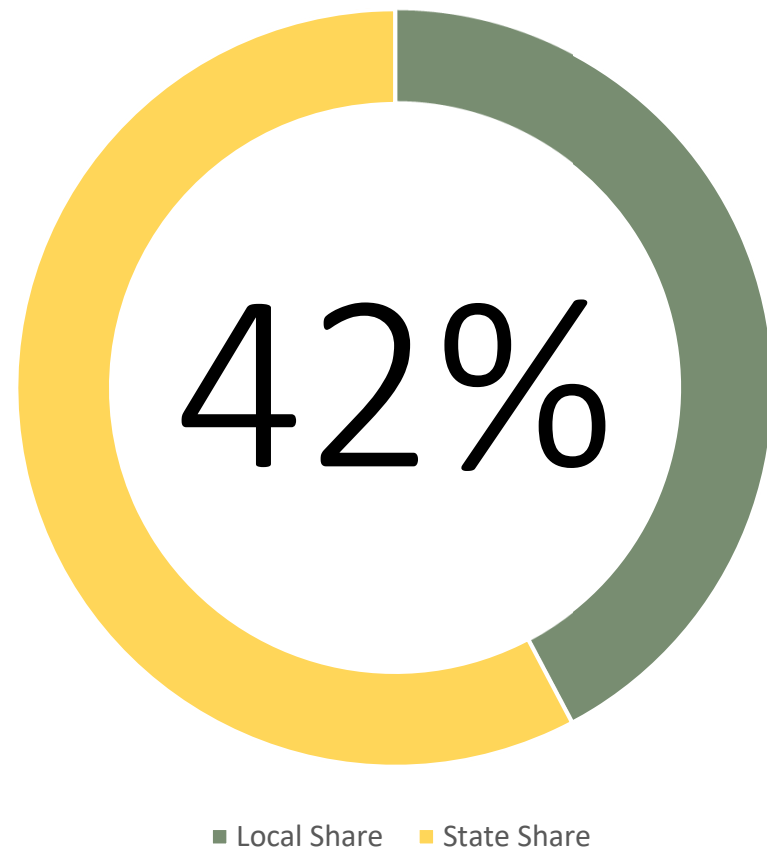
Growth in SPED Enrollment



Source: Forecast 5 and FBISD SPED Department

Potential Special Education Staffing

- Additional staff needed based on 10% growth:
84 FTEs @ \$4.26 M
- State reimbursement is **NOT** equal to local expenditures
- Currently **NOT** included in forecast
- Potential state revenue:
\$2.46 M



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2018-19 Initial Outlook

	2016-17	2017-18	2017-18	2018-19
(\$ Millions)	Actuals	Budget	Estimate	Initial
Operating Revenues	\$ 596.91	\$ 619.89	\$ 631.79	\$ 623.50
Operating Expenditures	595.01	633.35	637.58	630.39
Other Sources/(Uses)	0.89	1.50	1.60	1.50
Use of Economic Stabilization	-	11.96	4.18	-
Surplus/(Deficit)	2.79	-	-	(5.39)
Fund Balance - Beginning	182.46	185.26	185.26	181.07
Use of Economic Stabilization	-	(11.96)	(4.18)	-
Fund Balance - Ending	\$ 185.26	\$ 173.30	\$ 181.07	\$ 175.68

Fund Balance History

	YE 2016-17	YE 2017-18	YE 2018-19
Committed Fund Balance	\$35.29 M	\$25.48 M	\$18.90 M
State Revenue Stabilization	49.40 M	52.80 M	53.10 M
Unassigned Fund Balance	100.57 M	102.79 M	103.68 M
Total Fund Balance	\$185.26 M	\$181.07 M	\$175.68 M
90 Day Reserve	\$148.16 M	158.40 M	\$157.50 M
Reserve as % of Expenses	25%	25%	25%
Reserve in Days of Exps	92 Days	90 Days	90 Days

Upcoming Actions

April

- Talent draft
- Budget update
- Non-campus staffing approval
- Preliminary CAD values

May

- Renewal/non-renewal approvals
- Call date for budget hearing
- Chapter 41 choice selection

June

- Budget adoption
- Final amendment
- Fund balance resolution

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QUESTIONS?

Anticipated Staffing Needs

Staffing	FTEs	Estimate
Early Literacy Center	49	\$3.88 M
Special Education	84	4.26 M
ELL Teachers and Aides	9	0.51 M
Fine Arts Teachers	5	0.34 M
Facilities and Maintenance	55	2.28 M
Total	202	\$11.27 M

Fund Balance Strategies

	YE 2016-17	YE 2017-18	YE 2018-19
Non-spendable	\$2.96 M	\$4.38 M	\$3.00 M
Major maintenance	6.40 M	6.40 M	6.40 M
Instructional materials	2.70 M	- M	- M
New instructional facilities	4.50 M	2.50 M	4.50 M
Economic stabilization	14.00 M	6.50 M	- M
Assigned fund balance	4.72 M	5.70 M	5.00 M
Committed and Assigned	\$35.29 M	\$25.48 M	\$18.90 M