



Financial Futures Committee

June 3, 2019

Agenda

- Update on School Finance Legislation
- Develop FFC Report to Board

House Bill 1 – State Budget

- Included \$9 Billion for public education when bill was filed
- Public education provisions passed by the legislature will cost an estimated \$11.5 Billion
- Source of funds to cover additional cost:
 - Comptroller’s revised revenue estimate: \$518 million
 - Est. new sales tax revenue from on-line sales: \$500 million
 - Additional transfer from Permanent School Fund: \$600 million (requires voter approval)
 - Gap: Approximately \$800 million
- HB 3 contains a requirement that the Legislative Budget Board study possible methods of providing tax relief by reducing M&O taxes.
 - Results of the study must be submitted to the Gov, Lt. Gov & Speaker by September 1, 2020

House Bill 3

Key Formula Changes

- Basic Allotment: \$6,160 (Increase of \$1,020/student)
- Eliminates Cost of Education Index, Gifted/Talented Allotment, High School Allotment, Staff Allotment. Shifts those dollars to the Basic Allotment
- Adds new allotments: Early Education, Dyslexia & Dual Language
- Shifts to current year property values to calculate Local Share (vs. prior year values used to date)
- # of Golden pennies: 8 (increase of 2 pennies)
- # of Copper pennies: 9 (decrease of 2 pennies)
- Lowers the guaranteed yield on golden pennies & increases the yield on copper pennies

Property Tax Rates

- Tax Cap:
 - \$1.00 x Compression rate + \$.17
- 2019-20 Tax Rate Compression:
 - \$.07 minimum reduction
 - Additional reduction of "copper pennies" (pennies above \$1.06 to \$1.17)
- 2020-21 Tax Rate:
 - Individualized compression required based on hybrid of state/local property value growth (likely a 2.5% cap)
 - TEA will calculate districts' maximum compressed rates
 - Districts can levy one additional penny of tax with unanimous Board approval

Tax Ratification Elections

- 2019-20:
 - Districts with a rollback rate > \$1.04 can't adopt a rate above the rollback rate (i.e., no TRE) unless TRE was included in a strategic plan as of 1/1/19
- Requires an efficiency audit before holding a TRE

House Bill 3 – Changes to Allotments

Allotments	House Bill 3 Provisions
Career Tech Allotment	Expands funding from 9 th grade to 7 th grade
Gifted/Talented Allotment / High School Allotment	<ul style="list-style-type: none"> Eliminates the allotments & rolls these dollars into the basic allotment GT program is still mandated. State funding is reduced by amount of previous GT allotment if a district doesn't certify annually that it has a GT program
State Comp Ed	<ul style="list-style-type: none"> Range of weights from .225 to .275 based on census tracks Districts report each student on free/reduced meals by his/her census block TEA assigns census blocks into 5 tiers of increasing levels of poverty 55% expenditure requirement; there are questions about eligible use of funds Directs more money to districts/campuses with greater concentrations of poverty
Transportation Allotment	Uniform rate per mile as set by appropriation

House Bill 3 – New Early Education Allotment

Students Eligible for Allotment

Gr K-3 economically-disadvantaged and/or English Language Learners

Allowable Uses

Reading and math for students in grades PreK-3

Full Day Pre-K

Should be sufficient to pay for full-day Pre-K for students meeting state eligibility requirements

Mandates Full-Day Pre-K as 9/1

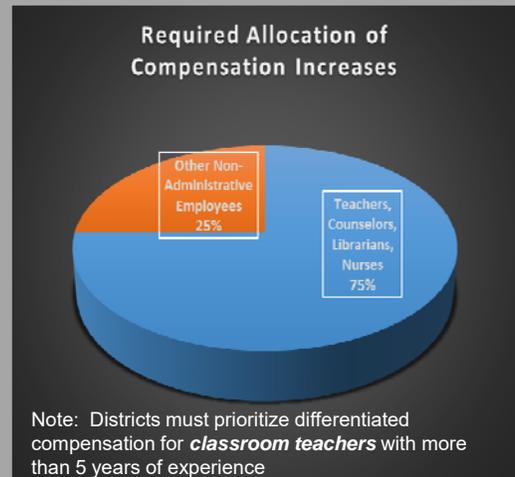
Four-year olds
Waiver available based on capacity

House Bill 3 – New Allotments

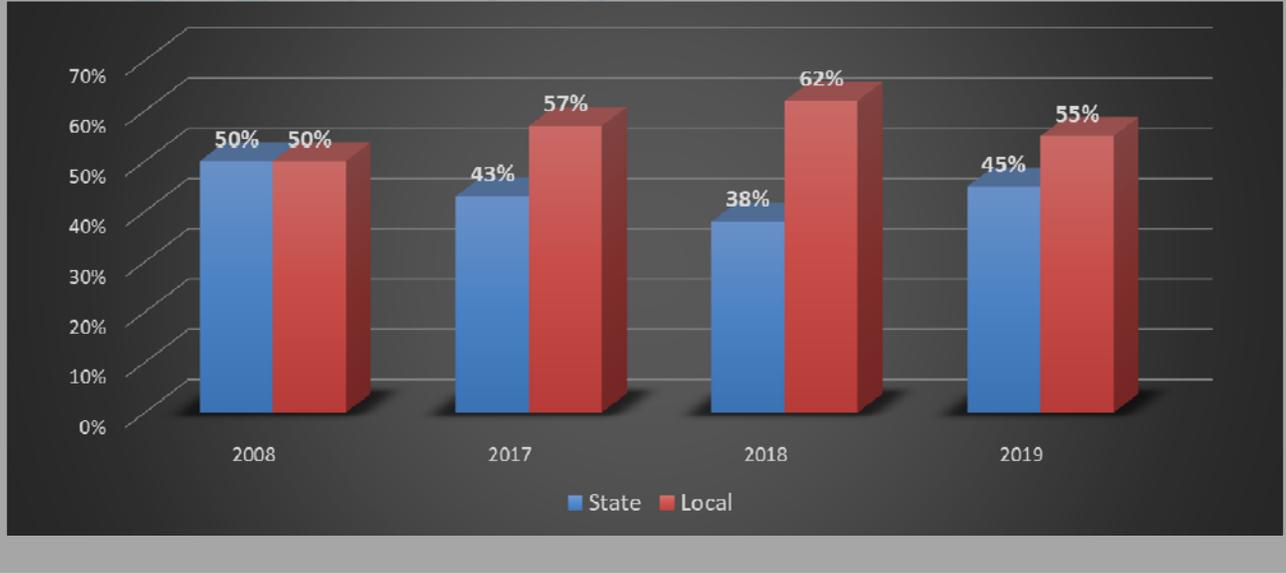
Allotment	House Bill 3 Provisions
Dyslexia Allotment	<ul style="list-style-type: none"> .1 weight x Basic Allotment x # students
Dual language Allotment	<ul style="list-style-type: none"> .15 weight for English Language Learners (ELLs) .05 weight for non-ELLs
Performance Bonus – CCMR	<ul style="list-style-type: none"> Eligible if district performance exceeds 25th percentile in CCMR rates statewide Bonus differentiated by sub-population
Optional Extended School Year Allotment <i>(effective 2020-21)</i>	<ul style="list-style-type: none"> Grades PK-5 Up to 30 additional half-days One-half of ADA funding
Teacher Incentive Allotment	<ul style="list-style-type: none"> For high-needs campuses (i.e., poverty) and rural districts to recruit and retain teachers Commissioner will set rules

HB 3 Mandates

- Compensation:
 - 30% of the Chapter 48 gain must be used to give compensation increases to employees **other than administrators**
 - 75% of the 30% must be spent on teachers, counselors, librarians, nurses
 - prioritize differentiated compensation for **classroom teachers** with more than 5 years of experience



State Funding System Revenue Shares



HB 3 Analysis	Adopted Budget	Projection	Current Law	HB 3	HB 3 vs CL
	2018-19	2018-19	2019-20	2019-20	Difference
Current Year Taxes	273,068,766	280,472,326	312,921,959	292,914,650	(20,007,309)
Prior Year Taxes	1,650,000	2,037,000	2,077,740	1,850,000	(227,740)
Total Taxes	274,718,766	282,509,326	314,999,699	294,764,650	(20,235,049)
Regular Ed Allotment	282,619,909	281,547,897	278,188,869	303,246,051	25,057,182
Special Education Allotment	29,147,728	32,197,092	30,944,204	34,127,520	3,183,316
Career & Tech Allotment	25,295,260	26,705,931	27,190,821	29,638,471	2,447,650
Gifted & Talented Allotment	1,841,068	1,844,214	1,824,151	0	(1,824,151)
Compensatory Education Allotment	50,314,414	50,186,233	50,296,616	61,669,567	11,372,951
Bilingual Education Allotment	7,947,071	8,392,794	8,393,822	9,452,332	1,058,510
Dyslexia Allotment	N/A	N/A	0	672,056	672,056
Early Education Allotment	N/A	N/A	0	9,947,168	9,947,168
Public Education Grant	N/A	N/A	155,661	169,682	14,021
New Instructional Facilities Allotment	0	18,466	0	0	0
High School Allotment	4,436,467	4,449,057	4,386,119	0	(4,386,119)
Transportation	3,617,633	3,487,963	3,487,963	2,578,927	(909,036)
Total Cost of Tier I	405,219,550	408,829,647	404,868,226	451,501,774	46,633,548
Less Local Share	(257,550,111)	(253,012,887)	(280,830,611)	(291,020,645)	(10,190,034)
Tier II Aid	21,608,129	23,121,414	28,252,250	15,727,624	(12,524,626)
Other FSP Formula Aid	2,660,445	2,819,041	1,866,160	(22,987)	(1,889,147)
Transition Grant	N/A	N/A	0	3,037,612	3,037,612
Total Foundation School Program Aid	171,938,013	181,757,215	154,156,025	179,223,378	25,067,353
Total M&O Revenue	446,656,779	464,266,541	469,155,724	473,988,028	4,832,304

2019-20 Preliminary Budget General Fund

	2018-19 Original Budget	2018-19 Projection	2019-20 Preliminary Budget	Diff. From 18-19 Orig. Budget
Beginning Fund Balance	\$201,892,152	\$201,892,152	\$188,721,328	
Revenues & Other Resources	\$491,716,875	\$515,048,901	\$518,564,972	\$26,848,097
Expenditures & Other Uses	\$530,418,567	\$517,967,515	\$522,412,125	(\$8,006,442)
Operating Surplus/Deficit	(\$38,701,692)	(\$2,918,614)	(\$3,847,153)	\$34,854,539
Capital Projects Funded through Surplus Fund Balance	--	10,252,210	--	
Net Surplus/Deficit	(38,701,692)	(13,170,824)	(\$3,847,153)	\$34,854,539
Ending Fund Balance	\$163,190,460	\$188,721,328	\$184,874,175	

Note: the 2019-20 Preliminary budget does not include funds for raises or full-day Pre-K.

Key Points: 2019-20 Revenues

Property Values

- Projected increase of 11.4% for 2019-20 based on May preliminary values received from Tarrant Appraisal District

M&O Tax Rate

- Constitutional limit is \$1.17
- 2018-19 M&O tax rate is \$1.04
- HB 3 requires a \$.07 reduction in the M&O tax rate
- 2019-20 M&O rollback rate: \$.97
- Any increase above the \$.97 rollback rate requires voter approval

State Aid

- HB 3 makes sweeping changes to state aid formulas
- Enrollment, prop. values & tax collections impact state aid
- As property values increase, state aid decreases

Key Points: 2019-20 Expenditures

Staffing

- Enrollment is projected at 59,423, a decrease of 497 students
- Campus staffing is based on enrollment projections & programming needs
- Net reduction of 50.5 staff FTEs due to lower enrollment projection

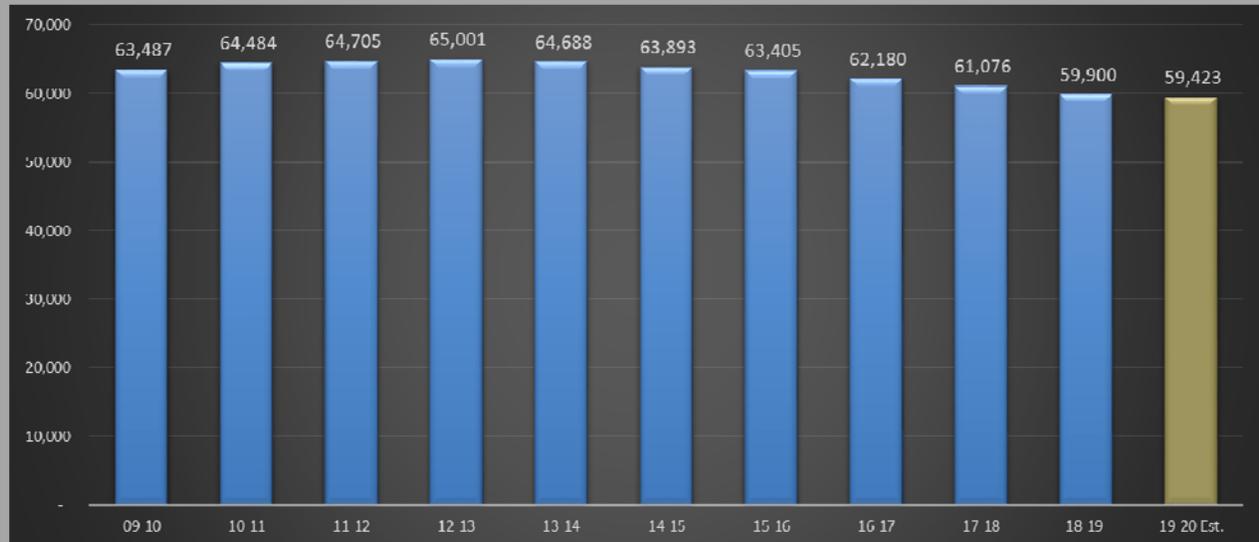
Operating Costs

- Budget aligns with 2016-2021 Strategic Plan
- New programs
- Net reduction of \$880,183 in utilities
- Preliminary Budget does not include a provision for salary increase

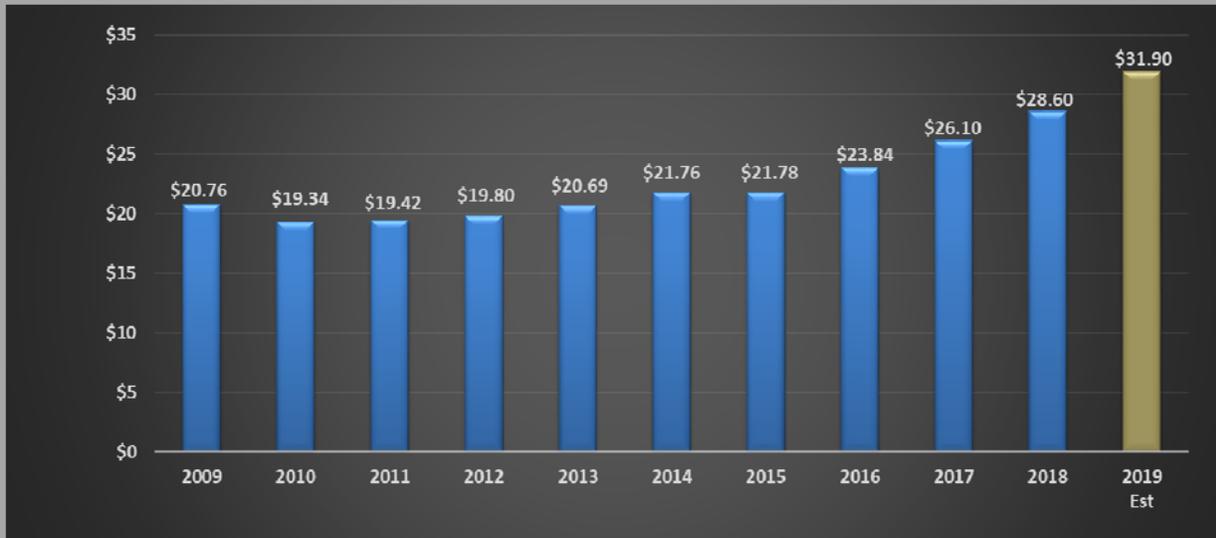
Fund Balance

- Unassigned fund balance equals approximately 4.7 months of operating expenditures as of June 30, 2018

Student Enrollment History



ARLINGTON ISD PROPERTY VALUES (in billions)



Source: Tarrant Appraisal District
Valuation Date: July 25

General Fund Highlights

- Budget includes funds for Strategic Plan Year 4 Strategies:
 - Academic Achievement (4 strategies)
 - Leadership, Citizenship & Responsibility (2 strategies)
- Fine Arts/Dual Language Academies
 - 4th cohort of students
- New Arlington College & Career High School
- New Elementary Academy Programs
 - Crow Leadership
 - Percy STEM
 - Wimbish World Language Academy
- Advanced Placement & College Assessments

General Fund Highlights

- Campus staffing is based on projected enrollments & staffing ratios approved by the Board in December
- Net change in campus staff FTEs:
 - Campus staffing formulas (50.5)
- Health & Life Insurance
 - Reduced by \$954,684 to align with participation

General Fund Highlights

- Utilities
 - Net reduction in utility budgets: \$880,183
 - New, lower-priced electricity supply contract effective January 1, 2020
 - Conservation initiatives: improvements to irrigation systems and water consumption controls
- Other Purchased & Contracted Services
 - Net increase of \$784,945
 - Key changes:
 - Additional School Resource Officers
 - Read 180 professional development
 - Contracted counseling through UTA
 - STEM Connector & other school leadership contracts

FFC Review

FFC Meeting	Topics Covered
4-12-18	<ul style="list-style-type: none"> ▪ Investments in Elementary Schools ▪ Update on 2018-19 Budget Preparation ▪ Texas School Finance Update ▪ AISD Legislative Activities
5-29-18	<ul style="list-style-type: none"> ▪ FFC Advocacy Letter to School Finance Commission ▪ Update on 2018-19 Budget Preparation ▪ Operational Efficiencies
8-7-18	<ul style="list-style-type: none"> ▪ FFC Input on Operational Efficiencies ▪ New Instructional Programs <ul style="list-style-type: none"> ○ Wimbish World Language Academy ○ Pearcy STEM Academy ○ Crow Leadership ○ New Early College High School ▪ Overview of 2018-19 Adopted Budget & Tax Rate ▪ Texas School Finance Commission Update
10-23-18	<ul style="list-style-type: none"> ▪ Long-Range Financial Planning <ul style="list-style-type: none"> ○ General Operating Budget Forecast ○ Capital Needs Assessment

FFC Review

FFC Meeting	Topics Covered
12-11-18	<ul style="list-style-type: none"> ▪ 2017-18 Independent Audit Results ▪ Enrollment Management Plan ▪ 2019-20 Budget Preparation and Long-Range Financial Planning Update
1-29-19	<ul style="list-style-type: none"> ▪ Prekindergarten ▪ Legislative Update
3-26-19	<ul style="list-style-type: none"> ▪ 2019-20 Budget Preparation Update ▪ Legislative Update - School Finance Bills & Potential Impact on Budget

