



**Financial Futures Committee  
March 26, 2019  
6:00 PM, Mac Bernd Professional Development Center**

WELCOME & OPENING REMARKS ..... Stephen Crumby  
FFC Chairperson

REPORT TO BOARD OF TRUSTEES..... Cindy Powell  
Stephen Crumby

FFC PRESENTATION TO CAPITAL NEEDS STEERING COMMITTEE.....Stephen Crumby  
*Topic: General Operating Budget*

86TH LEGISLATURE UPDATE.....Cindy Powell  
*School Finance Bills*  
*Pre-K*  
*Potential Impact on General Operating Budget*

DISCUSSION.....Stephen Crumby

CLOSING THOUGHTS.....Stephen Crumby





**Arlington**  
INDEPENDENT SCHOOL DISTRICT  
*More Than a Remarkable Education*

# Financial Futures Committee

March 26, 2019

# Presentation Outline

## Capital Needs / Bond Planning

- Presentation to Capital Needs Steering Committee re TRE

## General Operating Budget

- 2019-20 Budget Preparation Update

## Legislative Update

- School Finance Bills & Potential Impact on Budget

# Presentation to Capital Needs Steering Committee

*FFC Recommendation  
re TRE/Bond  
Stephen Crumby  
March 19, 2019*



# Financial Priorities

- Implement strategic plan
- Maintain healthy fund balance in the General Fund
- Balance General Fund budget
- Competitive compensation
- Address capital needs
- Tax rate stability



# Multi-Year Budget Forecast *(in millions)*

	Actual 2016-17	Actual 2017-18	Adopted 2018-19	Projection 2018-19	Forecast 2019-20
Beg. Fund Bal.	204.7	199.4	201.9	201.9	169.3
Revenues/Oth. Res	515.3	518.3	491.7	<b>497.6</b>	<b>478.8</b>
Expend/Oth. Uses	<u>520.6</u>	<u>515.8</u>	<u>530.4</u>	<u>530.2</u>	<u>528.6</u>
<b>Surplus/(Deficit)</b>	<b>(5.3)*</b>	<b>2.5</b>	<b>(38.7)</b>	<b>(32.6)</b>	<b>(49.8)</b>
Ending Fund Bal.	199.4	201.9	163.2	169.3	119.5

**ASSUMPTIONS:**

Property Value Growth: 5% for 2019-20; 4% for 2020-21; 3% for 2021-22; 3% for 2022-23

M&O Tax Rate: No change

Salary Increases : None after 2018-19

Enrollment: Approx. 1.3% decrease/year

Includes operating costs for new facilities at scheduled openings

State Funding: No change in formulas after 2018-19

\* 2016-17 & 2017-18 expenditures include planned uses of surplus fund balance to construct classroom addition, new cafeteria, new kitchen at SHHS and purchase land. 2017-18 also includes planned use of surplus fund balance to renovate the TP kitchen.

All Forecast Years: Changes that will impact budget include enrollment changes, property value growth, legislative actions

*March 2019*

# Options to Reduce Budget Deficit

- Budget reductions
- Spend fund balance
- Raise the M&O tax rate
  - Requires a tax ratification election (TRE)
  - To sustain opportunities and remain competitive



# Comprehensive Solution

- Objectives
  - Invest in capital priorities
  - Reduce budget deficit
  - Sustain instructional opportunities
- Comprehensive solution
  - TRE and bond package
  - Budget reductions/efficiencies

# Budget / TRE Considerations

- Enrollment Projections
- Special Programs
- Competitive Compensation
- Full-day Pre-Kindergarten
- Operations
- Legislative Actions



# Tax Ratification Election Impact

Year	M&O Tax Rate	M&O Taxes	State Aid	M&O Recapture	Total Revenue	Addtl. Rev. Per Penny of Tax	Cumulative Addtl. Rev.
19-20	\$1.04	\$293,496,705	\$145,911,128	\$0	\$439,407,833		
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19-20	\$1.17	\$328,162,477	\$155,711,830	(\$4,691,546)	\$479,182,761	\$2,217,940	\$39,774,928

*Note: Calculations are based on current school finance law and assume a TRE passes in November 2019*

# Budget Preparation Timeline

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Planning	█	█								
Enrollment Projections	█	█								
Legislative Session			█	█	█	█	█			
Budget Prep (Schools/Depts.)			█	█						
Staffing				█	█	█				
Budget Reviews				█	█					
Payroll Budget Prep						█	█			
Revenue Estimates							█	█		
Board Discussion/Hearings/Action							█	█		
Receive Certified Prop Values									█	
Adopt Property Tax Rate										█
Financial Futures Committee	█	█	█	█	█	█	█	█	█	█

**AISD Fiscal Year: July 1 – June 30**

# 86<sup>th</sup> Legislative Session

- Convened January 8, 2019
- Ends May 27, 2019
- Length of regular session: 140 days
  
- Days Complete: 78 (56%)
- Days Remaining: 62



## **School Finance Bills**

- House Bill 3
- Senate Bill 4

## HB 3 (Huberty)

- \$6.3 billion new funding for school districts
- \$2.7 billion for tax relief
- Comprehensive reform of school finance system
- Contains traces of recommendations from the Commission on Public School Finance
- Original version was substituted in House Public Ed Committee
- ***Estimated impact to AISD: \$35 million in 2019-20***
  - *(source: Moak Casey & Associates)*

# CSHB 3 (Huberty)

## Basic Allotment

- Increases BA by \$890/Student
- 17% increase

## Property Tax Relief

- Requires districts to lower (or compress their rates) by \$.04 in first year
- Compression is required in subsequent years if the legislature increases the yield on "copper" pennies

## Tier 2 Rates & Yields

- "Golden" pennies: 6 cents in FY 20 (*same as current law*), 7 cents in FY 21 and 8 cents in FY 22
- Remaining pennies up to \$1.17 would be considered "copper"
- Lowers the guaranteed yield on golden pennies & increases the yield on copper pennies
- Recapture applies to copper pennies but not golden pennies (*same as current law*)



# CSHB 3 - M&O Tax Rate Categories



# CSHB 3 – Early Education

## New Early Education allotment (\$780 million total)

- Based on students in Grades K-3:
  - .1 weight x Basic Allotment for each student who is economically-disadvantaged
  - .1 weight x Basic Allotment for each student who is an English Language Learner
  - .2 weight if student is both

## Allowable Uses

- Can be used for students in grades Pre-K-3
- Districts have discretion on how to use the funds

## Full Day Pre-K

- Should be sufficient to pay for full-day Pre-K
- The allotment is intended to pay for the *additional* half day for Pre-K students.
- Districts will still receive Regular Program funds based on .5 ADA for Pre-K

## Mandates Full-Day Pre-K effective September 1, 2019

- Waiver available based on capacity

# CSHB 3 – Comp Ed



- **Comp Ed Allotment (\$1.1 billion)**
  - Range of weights from .225 to .275 based on census tracks
  - Districts would report each low income student by his/her census block
  - TEA would assign census blocks into 5 tiers of increasing levels of poverty
  - Current spending requirements are removed providing greater flexibility for districts to target funds where most needed
  - ***Directs more money to districts/campuses with greater concentrations of poverty***

# CSHB 3 - Allotments

Allotments	CSHB 3 Provisions
Career Tech Allotment	Extends funding from 9 <sup>th</sup> grade to 6 <sup>th</sup> grade
New Effective Educators Allotment	<ul style="list-style-type: none"><li>▪ For high-needs campuses (i.e., poverty) and rural districts to recruit and retain teachers</li><li>▪ Structure to be determined locally with input from parents, educators &amp; community</li><li>▪ No definition of “Effective” provided</li></ul>
Cost of education index, gifted/talented allotment and high school allotment	<ul style="list-style-type: none"><li>▪ Eliminates the allotments &amp; rolls these dollars into the basic allotment</li><li>▪ 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</li></ul>

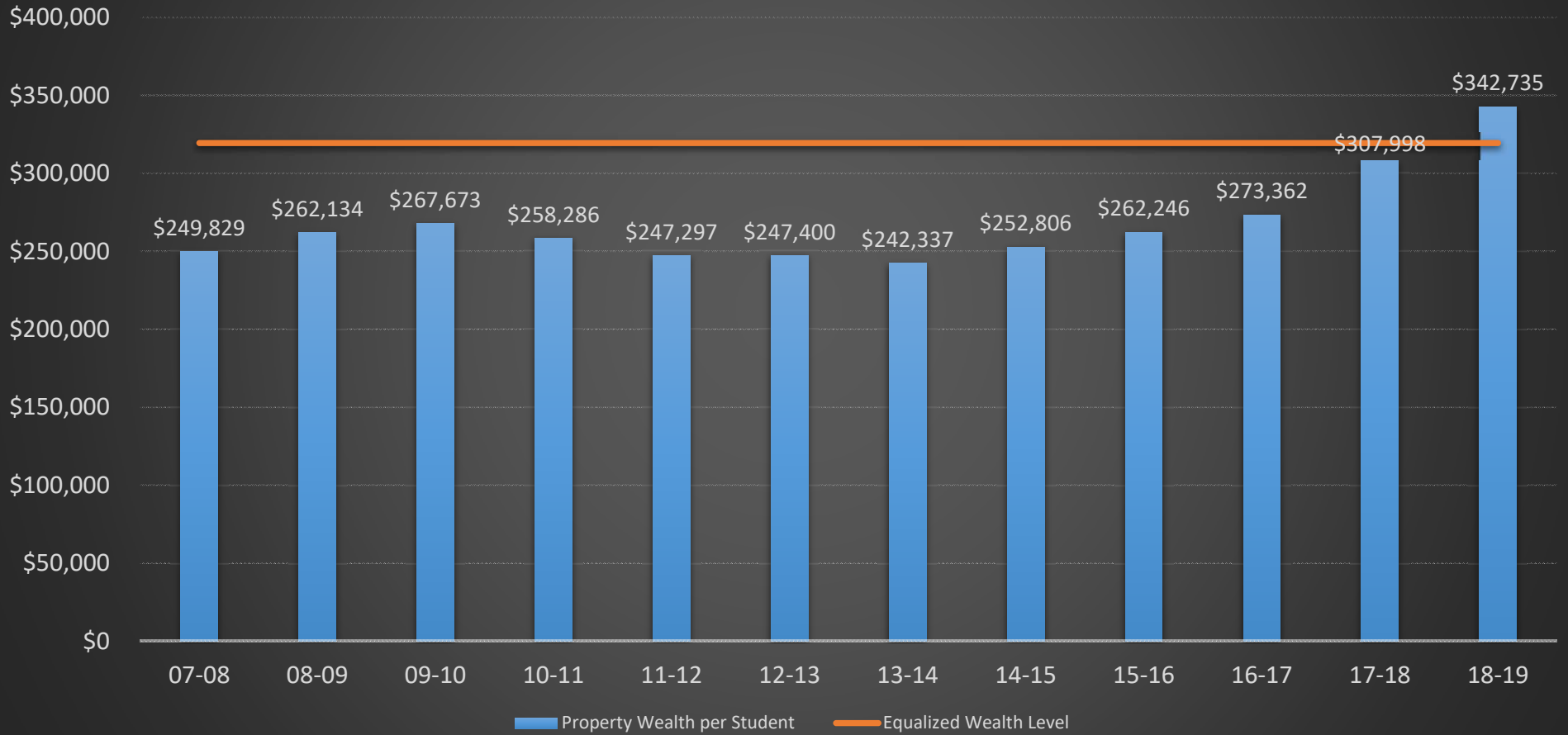
# CSHB 3 - Allotments

Allotments	CSHB 3 Provisions
New Dyslexia Allotment	<ul style="list-style-type: none"><li>▪ .1 weight x Basic Allotment x # students</li></ul>
New Dual language Allotment	<ul style="list-style-type: none"><li>▪ .15 weight for English Language Learners (ELLs)</li><li>▪ .05 weight for non-ELLs</li></ul>
New Optional extended school year Allotment	<ul style="list-style-type: none"><li>▪ Grades PK-5</li><li>▪ Up to 30 additional half-days</li><li>▪ One-half of ADA funding</li></ul>

## CSHB 3 – Recapture & Tax Rates

- Reduces recapture by 38%
- Rollback rate for 2019-20:
  - \$1.00 (\$0.96 + \$0.04 cents)
- Access to one additional penny of tax without a TRE beginning in 2020-21
- Requires districts to complete an efficiency audit before holding a TRE
  - Required to use a firm approved by the State Auditor's Office

## Property Wealth per Student for Copper Pennies Current Law



# CSHB 3

- AISD Position on HB 3
  - Registered written testimony supporting HB 3
  - Stated concern regarding full-day Pre-K mandate as of September 1
  - Asked that districts be allowed time to phase-in full-day prekindergarten for eligible four-year olds based on campus capacity and readiness
- March 19th: Voted from House Public Ed Committee 13-0
- Next Step: Will be considered by full House by mid-April



## SB 4 (Larry Taylor)

- Bill is a shell; details to be worked out in committee
  - No dollar amounts stated for Basic Allotment / no weights stated for new programs
  - Aligned to the School Finance Commission's Recommendations
  - No committee hearing scheduled yet
- Provisions:
  - Early education allotment similar to HB 3 (sufficient to fund full-day Pre-K)
  - Mandates full-day Pre-K
  - Outcomes-based incentives for low income students achieving 3<sup>rd</sup>-grade reading proficiency & graduates who demonstrate CCMR readiness
  - Optional funding for teacher/principal merit pay
  - Increased funding for low-income students (*no sliding scale & no amount specified*)
  - No tax rate compression included in the introduced version

# AISD Considerations for Full-day Pre-K

- Classroom space
- Classroom standard
- FF&E (including technology)
- Staffing
- Curriculum
- Transportation
- Professional Development
- Annual operating cost



# **AISD Evaluation of Full-Day Pre-K**

- Evaluation for Potential Implementation Sept. 1
- Projected enrollment 2019-20: 3,600
- Facilities
  - Administration team is analyzing each building to determine what modifications/additions are required to accommodate full-day Pre-K, if any
  - Principals will work with administration to identify available space and facilities
  - Additional classrooms required for 2019-20: 93
- Other Considerations
  - FFE
  - Staffing
  - Curriculum

# Bond / TRE Impact on Tax Rate

NET INCREASE / (DECREASE) FROM 2018 TOTAL TAX RATE						
M&O Tax Rate	Bond Package / I&S Rate					
	\$500 M	\$600 M	\$700 M	\$800 M	\$900 M	\$1 B
	.2814	.2933	.3071	.3181	.3287	.3387
1.04	(0.05)	(0.04)	(0.02)	(0.01)	0.00	0.01
1.05	(0.04)	(0.03)	(0.01)	(0.00)	0.01	0.02
1.06	(0.03)	(0.02)	(0.00)	0.01	0.02	0.03
1.07	(0.02)	(0.01)	0.01	0.02	0.03	0.04
1.08	(0.01)	0.00	0.02	0.03	0.04	0.05
1.09	0.00	0.01	0.03	0.04	0.05	0.06
1.10	0.01	0.02	0.04	0.05	0.06	0.07
1.11	0.02	0.03	0.05	0.06	0.07	0.08
1.12	0.03	0.04	0.06	0.07	0.08	0.09
1.13	0.04	0.05	0.07	0.08	0.09	0.10
1.14	0.05	0.06	0.08	0.09	0.10	0.11
1.15	0.06	0.07	0.09	0.10	0.11	0.12
1.16	0.07	0.08	0.10	0.11	0.12	0.13
1.17	0.08	0.09	0.11	0.12	0.13	0.14

***Questions?***

# FFC Review

FFC Meeting	Topics Covered
4-12-18	<ul style="list-style-type: none"> <li>▪ Investments in Elementary Schools</li> <li>▪ Update on 2018-19 Budget Preparation</li> <li>▪ Texas School Finance Update</li> <li>▪ AISD Legislative Activities</li> </ul>
5-29-18	<ul style="list-style-type: none"> <li>▪ FFC Advocacy Letter to School Finance Commission</li> <li>▪ Update on 2018-19 Budget Preparation</li> <li>▪ Operational Efficiencies</li> </ul>
8-7-18	<ul style="list-style-type: none"> <li>▪ FFC Input on Operational Efficiencies</li> <li>▪ New Instructional Programs</li> <li>▪ Overview of 2018-19 Adopted Budget &amp; Tax Rate</li> <li>▪ Texas School Finance Commission Update</li> </ul>
10-23-18	<ul style="list-style-type: none"> <li>▪ Long-Range Financial Planning               <ul style="list-style-type: none"> <li>○ General Operating Budget Forecast</li> <li>○ Capital Needs Assessment</li> </ul> </li> </ul>
12-11-18	<ul style="list-style-type: none"> <li>▪ 2017-18 Independent Audit Results</li> <li>▪ Enrollment Management Plan</li> <li>▪ 2019-20 Budget Preparation and Long-Range Financial Planning Update</li> </ul>
1-29-19	<ul style="list-style-type: none"> <li>▪ Pre-K</li> <li>▪ Legislative Update</li> </ul>



# Financial Futures Committee

## *Recommendation re TRE & Bond Elections*

*March 19, 2019*



### Financial Futures Committee (FFC) Purpose

to provide findings and recommendations from community stakeholders to the Board of Trustees relating to **budgets and long-range financial planning** to support the District's Strategic Plan.

Texas School Finance  
Legislative Environment

Comparison  
Data

Property Values  
Property Tax Rates

General  
Operating  
Budget

Enrollment  
Trends

Strategic Plan

EXCEL TODAY EXCEL TOMORROW  
2016-2021  
STRATEGIC PLAN

Staffing  
& Compensation

## Multi-Year Budget Forecast *(in millions)*

	Actual 2016-17	Projected 2017-18	Adopted 2018-19	Adopted w/cert values 2018-19	Forecast 2019-20
Beg. Fund Bal.	204.7	199.4	191.8	191.8	160.3
Revenues/Oth. Res	515.3	510.2	491.7	<b>498.9</b>	<b>478.8</b>
Expend/Oth. Uses	<u>520.6</u>	<u>517.8</u>	<u>530.4</u>	<u>530.4</u>	<u>528.6</u>
<b>Surplus/(Deficit)</b>	<b>(5.3)*</b>	<b>(7.6)*</b>	<b>(38.7)</b>	<b>(31.5)</b>	<b>(49.8)</b>
Ending Fund Bal.	199.4	191.8	153.1	160.3	110.5

### ASSUMPTIONS:

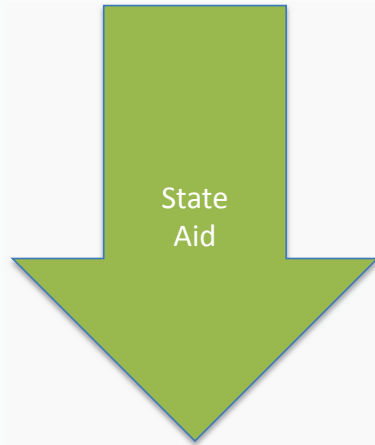
Property Value Growth: 5% for 2019-20; 4% for 2020-21; 3% for 2021-22; 3% for 2022-23  
M&O Tax Rate: No change Salary Increases : None after 2018-19  
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\* 2016-17 & 2017-18 deficits include planned uses of surplus fund balance to construct classroom addition, new cafeteria, new kitchen at SHHS and purchase land. 2017-18 deficit also includes planned use of surplus fund balance to renovate the TP kitchen.  
All Forecast Years: Changes that will impact budget include enrollment changes, property value growth, legislative actions

July 27, 2018



## Property Values/Property Tax Rates



- As property values increase, state aid decreases
- Modest growth in values is projected over next four years
- M&O tax rate is \$1.04 & can only be raised with voter approval through a Tax Ratification Election (TRE)

## Property Values/Property Tax Rates

Absent additional funding from the state, districts will be forced at some point to make difficult budget choices

- Raise the M&O tax rate through a Tax Ratification Election (TRE)
- Spend fund balance
- Make budget reductions, which may reduce opportunities for students


## Property Values/Property Tax Rates

### *Challenge:*

In order to support the current strategic plan and continue quality opportunities for students, more revenue is needed...

**FFC Report Feb. 2018**  
*RECOMMENDATION 4...*





We recommend the Board **decrease the I&S tax rate** and **increase the M&O tax rate**—by equal amounts—resulting in *no change* to the overall **tax rate**.

FFC 2018 Recommendations



In addition, we recommend **preserving flexibility in the I&S rate** on top of the swap to allow **for any future capital needs without the need for raising the I&S rate**.

FFC 2018 Recommendations

# 2018-19 FFC Topics

- Investments in elementary schools
- Operational efficiencies
- Texas School Finance System & legislative activities
- New specialized instructional programs
- Capital needs assessment
- Pre-Kindergarten

## Financial Priorities

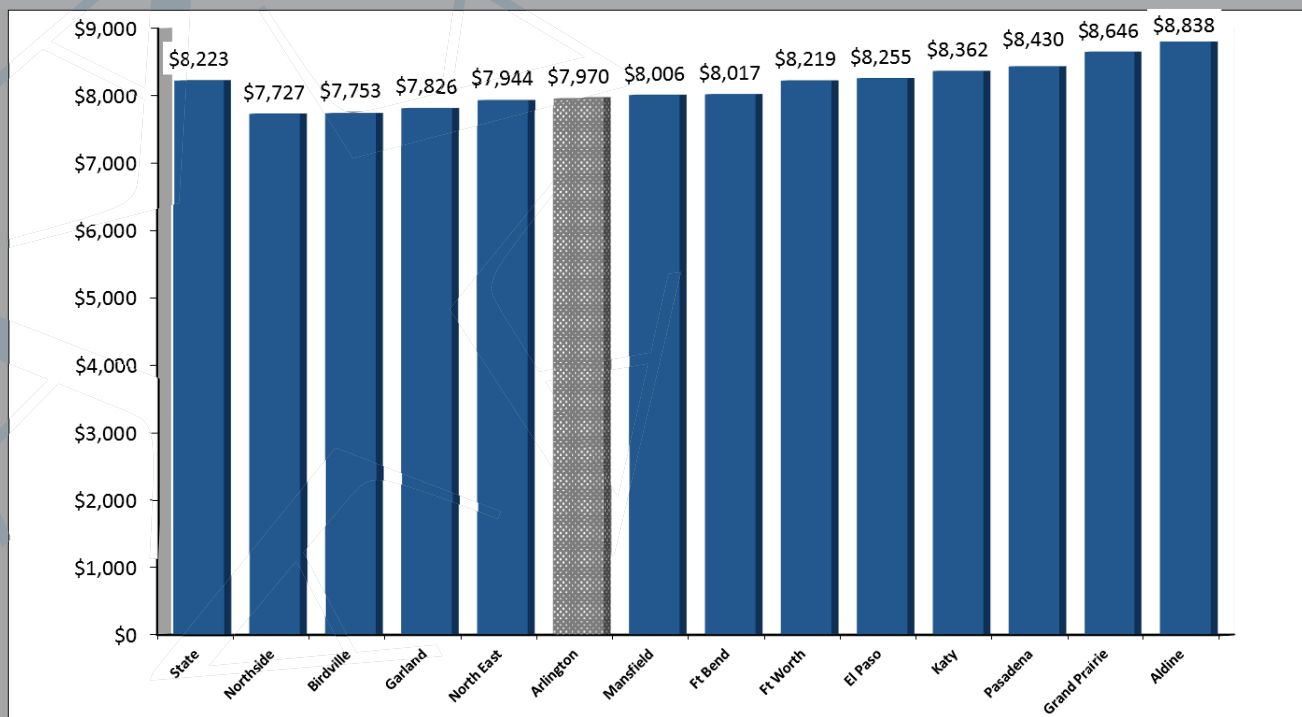
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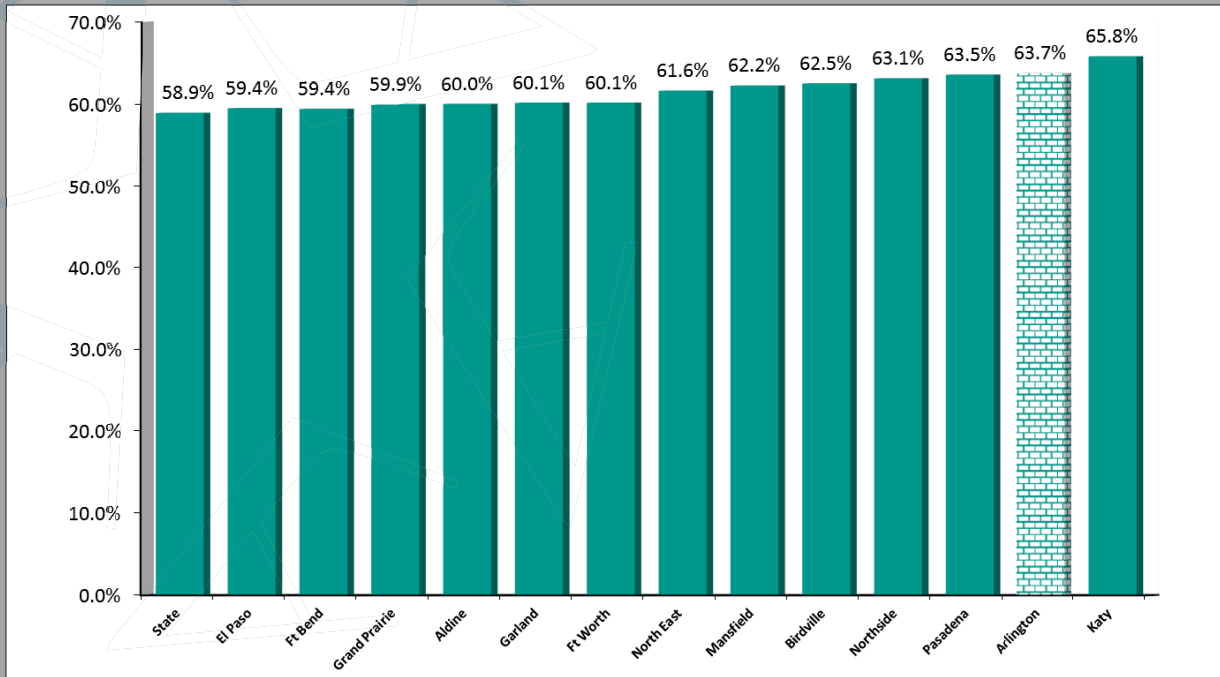
# Comprehensive Solution

- Objectives
  - Invest in capital priorities
  - Reduce budget deficit
  - Sustain instructional opportunities
- Comprehensive solution
  - TRE and bond package
  - Budget reductions/efficiencies

## Total Operating Expenditures Per Student 2016-17



# Percent of Total Budget Instruction 2016-17



## Efficiency Initiatives Since 2014

- Consolidations
  - Ferguson and Ousley
  - Hutcheson & Workman
  - Newcomer and Venture
  - TPHS and TPJH
- High school staffing
  - Staffing at 95% of projected enrollment
- Staffing tightly to enrollment projections
- Class size waiver considerations where appropriate
- Enrollment Management
  - Out-of-district transfers
  - Maximizes staffing / increases state aid

## Efficiency Initiatives Since 2014

- Energy conservation & electricity supply contracts
- Maintenance benchmark studies
- Low-interest energy retrofit loans from State Energy Conservation Office
- Activity Buses
- Equipment / vehicle upgrades through bond program
- Department reorganizations
- Program evaluations

## Efficiency Initiatives Since 2014

- Partnerships
  - TCC/Arlington Collegiate High School
  - UTA/STEM Academy
  - Holdsworth – leadership development
  - RYHT – leadership development
  - Moritz
  - Texas Trust
  - Dipert Family
  - Gene & Jerry Jones Youth Foundation / NFL / Hellas Workman Stadium

# Tax Ratification Election Impact

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# Bond / TRE Impact on Tax Rate

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1.05	(0.04)	(0.03)	(0.01)	(0.00)	0.01	0.02
1.06	(0.03)	(0.02)	(0.00)	0.01	0.02	0.03
1.07	(0.02)	(0.01)	0.01	0.02	0.03	0.04
1.08	(0.01)	0.00	0.02	0.03	0.04	0.05
1.09	0.00	0.01	0.03	0.04	0.05	0.06
1.10	0.01	0.02	0.04	0.05	0.06	0.07
1.11	0.02	0.03	0.05	0.06	0.07	0.08
1.12	0.03	0.04	0.06	0.07	0.08	0.09
1.13	0.04	0.05	0.07	0.08	0.09	0.10
1.14	0.05	0.06	0.08	0.09	0.10	0.11
1.15	0.06	0.07	0.09	0.10	0.11	0.12
1.16	0.07	0.08	0.10	0.11	0.12	0.13
1.17	0.08	0.09	0.11	0.12	0.13	0.14



# Next Steps

## Budget

- Complete development of 2019-20 Budget (March – June)
- FFC annual report to Board (Spring)
- Consider impact of Legislation (June-August)
- Hold budget hearings and adopt budget (June)

## Capital Needs

- Review Community Dialogue data / Develop options (March)
- Hold community dialogue #2 to solicit input on options (April 9-10)
- Develop recommendations (April-May)
- Steering Committee report to Board (June)

## Tax Rate/Elections

- Board considers needs for TRE / bond elections (June – August)
- 2019 certified property values published by Tarrant Appraisal (July 25)
- Board adopts 2019 tax rate (August)
- Call election(s), if appropriate (Deadline is August 19)

*Questions?*



The Honorable Dan Huberty, Chairman  
House Public Education Committee  
PO Box 2910  
Room E2.124  
Austin, TX 78768

March 12, 2019

Dear Chairman Huberty:

On behalf of the Board of Trustees and the Arlington ISD, we are writing today to share our support for HB 3 relating to school finance. As filed, the bill would overhaul the school finance system and increase public education funding by approximately \$9 billion beyond the cost of enrollment growth for the upcoming biennium.

Most significantly, HB 3 increases the basic allotment by \$890, revamps the guaranteed yields in Tier II, directs greater funding to districts with high concentrations of poverty and implements an early education allotment to fund full-day prekindergarten.

Arlington ISD's 2019 Legislative Agenda contains several requests related to school finance. HB 3 addresses most of the finance priorities detailed in our Agenda, including requests that the 86th Texas Legislature increase the basic allotment used in the Foundation School Program formula and fund prekindergarten.

As filed, HB 3 increases the basic allotment, which is the core element of the Foundation School Program formulas, by \$890. Increasing the basic allotment benefits all school districts by improving equity among districts, reducing recapture for wealthier districts and providing local school boards flexibility to direct resources where they are needed most and can yield the greatest impact on student achievement.

HB 3 adds a new early reading allotment that is intended to fund full-day prekindergarten, an identified need for Arlington ISD. We recognize the long-term benefits that prekindergarten provides young students who are English Language Learners and/or economically-disadvantaged; however, the constraints of the current funding system have prevented us from implementing the program to date. Early education funding provided through the Foundation School Program will help us implement this important program. The district is currently assessing facility, staffing and curriculum requirements for a full-day program.

Responsible implementation of full-day prekindergarten will require Arlington ISD to hire approximately 100 teachers and teacher assistants, outfit 100 classrooms with age-appropriate furnishings and technology and train teachers on a full-day curriculum. A provision that allows school districts the necessary time to phase-in full-day prekindergarten for eligible four-year olds based on campus capacity and readiness, rather than requiring the program for **all** eligible four-year olds effective September 1 of this year, will result in more efficient and effective programs across Texas.

We applaud the effort of House members to improve our school finance system. The proposed modifications will help all Texas school districts provide students with resources necessary to meet the state's rigorous performance standards and to graduate on time and excel at their school or career of their choice.

Please let us know if you have any questions regarding our support of this bill. You may contact Trustee Bowie Hogg (817-565-2636, bowie@bowiehogg.com) or Superintendent Dr. Marcelo Cavazos (682-867-7344, MCavazos@aisd.net).

Sincerely,



Bowie Hogg  
Member, Board of Trustees  
Chair, Governance Committee



Dr. Marcelo Cavazos  
Superintendent