

Financial Futures Committee

Board of Trustees Annual Report

6/18/2019



FFC Scope and Purpose



Scope and Purpose of FFC

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.



Financial Futures Committee



Committee Members

Christina Blank

Stephen Crumby

Jeannie Deakyne

Selina Elizondo

Yvonne Emanuel

Kyle Fields

Harry Flood

Cheryl Hodge

H.Suzanne Kelley

Emily Klophaus

Brenda Lohse

Shawn Lynch

Kim Martinez

Anne Mason

Leesa Monroe

Vickie Moss

April Pettitt

Matt Pierson

Mark Schatzman

Sarah Spurrier

Demi Stewart

Marcie Walker

Alison Willeke

Committee Meetings

April 12, 2018 Elementary Investments/Operating Budget/School Finance

May 29, 2018 School Finance Advocacy/Operational Efficiencies

August 7, 2018 Operational Efficiencies/Adopted Budget/Legislative Update

October 23, 2018 Operating Budget Forecast/Capital Needs Assessment

December 11, 2018 Enrollment Management/Long-Range Planning Update

January 29, 2019 Pre-Kindergarten/Legislative Update

March 26, 2019 Budget Update/Legislative Update

June 3, 2019 Work Session



2018-2019 FFC Theme



School Finance Legislation



Letter to Commission on Public School Finance

FFC sub-committee wrote a letter to Justice Scott Brister* in May 2018 to call for:

1. Equitable funding
2. Transparency in taxation
3. Financial relief for Texas school districts

*Justice Scott Brister was the Chair for the Texas Commission on Public School Finance

Topics Covered



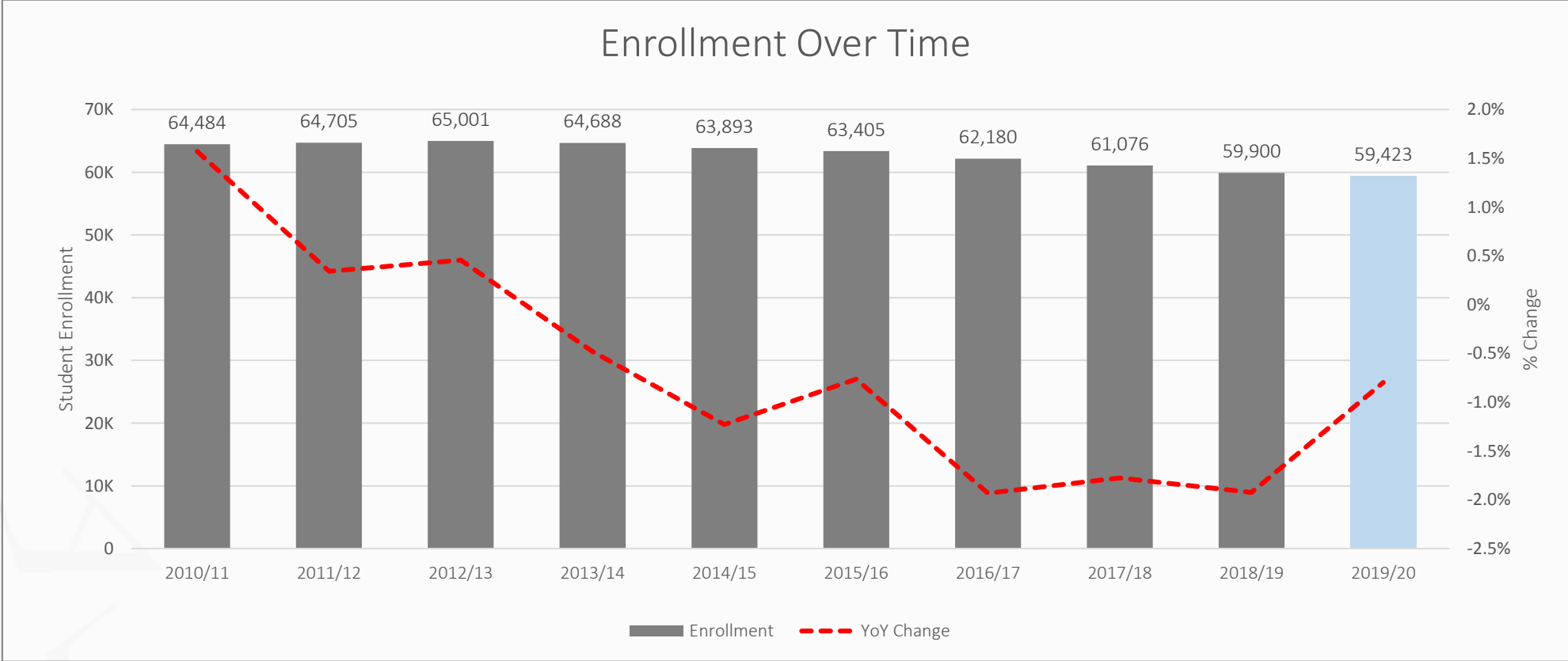
Enrollment Trends



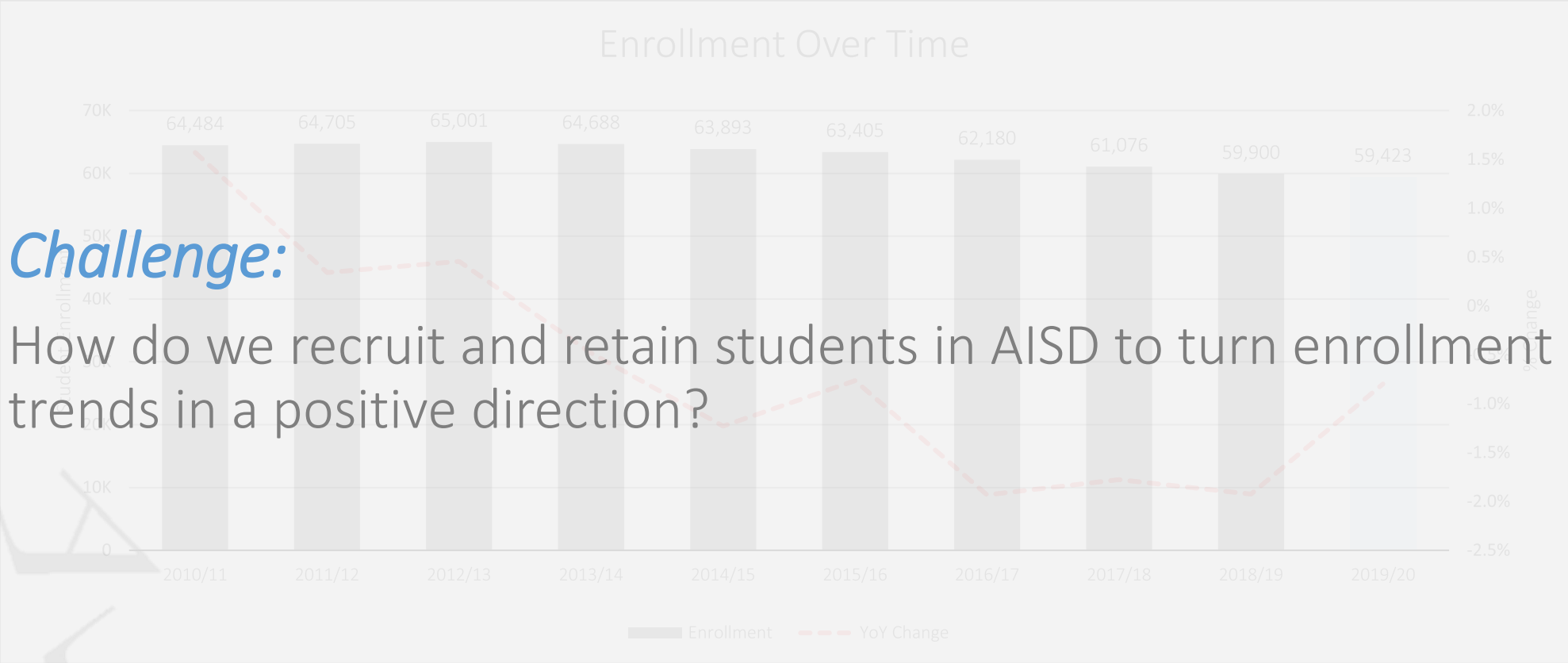
Topic 1: Enrollment Trends

- Student enrollment has decreased each year since 2013/14
- Personnel, process changes and investments expected to cut enrollment losses by roughly 60% next year
 - Marketing: Executive Director hired, support for declining campuses
 - Transfers: Fall transfer window, personal interactions
 - Programs: language/leadership/STEM academies, early college/career prep, etc.
- Enrollment is one of the largest drivers of district revenue; growth is key to a healthy financial outlook

Topic 1: Enrollment Trends



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Pre-Kindergarten

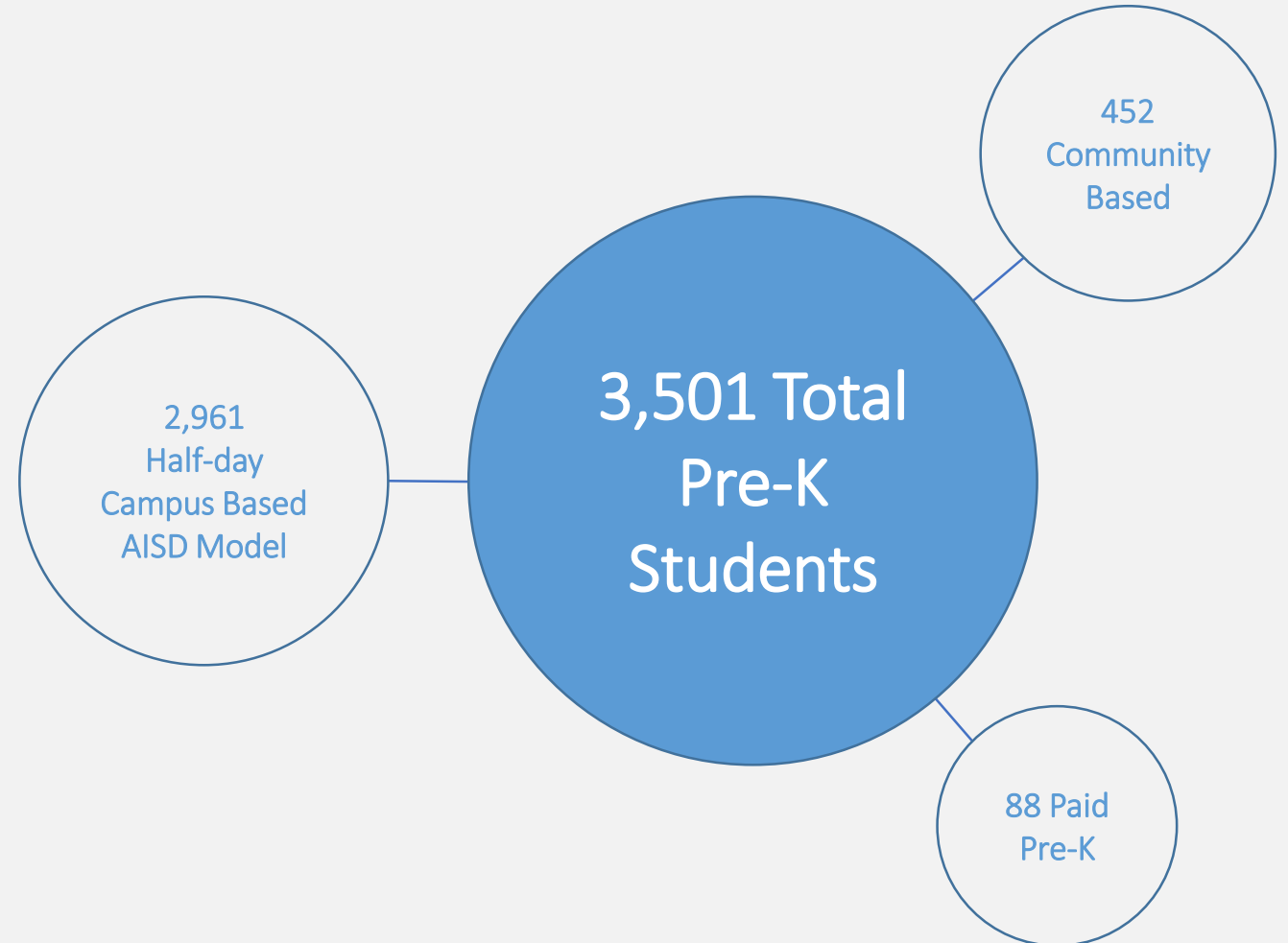


Topic 2: Pre-Kindergarten

AISD has been innovative in its rollout of Pre-K across the district with good participation at **schools and partner campuses**.

Most involvement comes through the traditional half-day campus model that is **state-funded**.

Other programs make up **15% of total enrollment**.



Topic 2: Pre-Kindergarten

Students who attend full-day Pre-Kindergarten outperform their peers throughout their academic careers.

Challenges:

Should AISD consider implementing a full-day Pre-K program?

- *Facilities*
- *Curriculum*
- *Before/After School Care*
- *Transportation*
- *Breakfast/Lunch Service*
- *Funding (State Aid Funds ½ Day)*

Operational Efficiencies



Topic 3: Operational Efficiencies

- Multiple cost-saving initiatives in place to help reduce budgetary pressure
- Campus consolidations when buildings are being underutilized
 - Ferguson/Ousley, Hutcheson/Workman, etc.
- Rebid energy contract provides future cost relief
- Procurement of multiple vehicle types for differentiated use provides efficiencies not found in a one-size-fits-all fleet

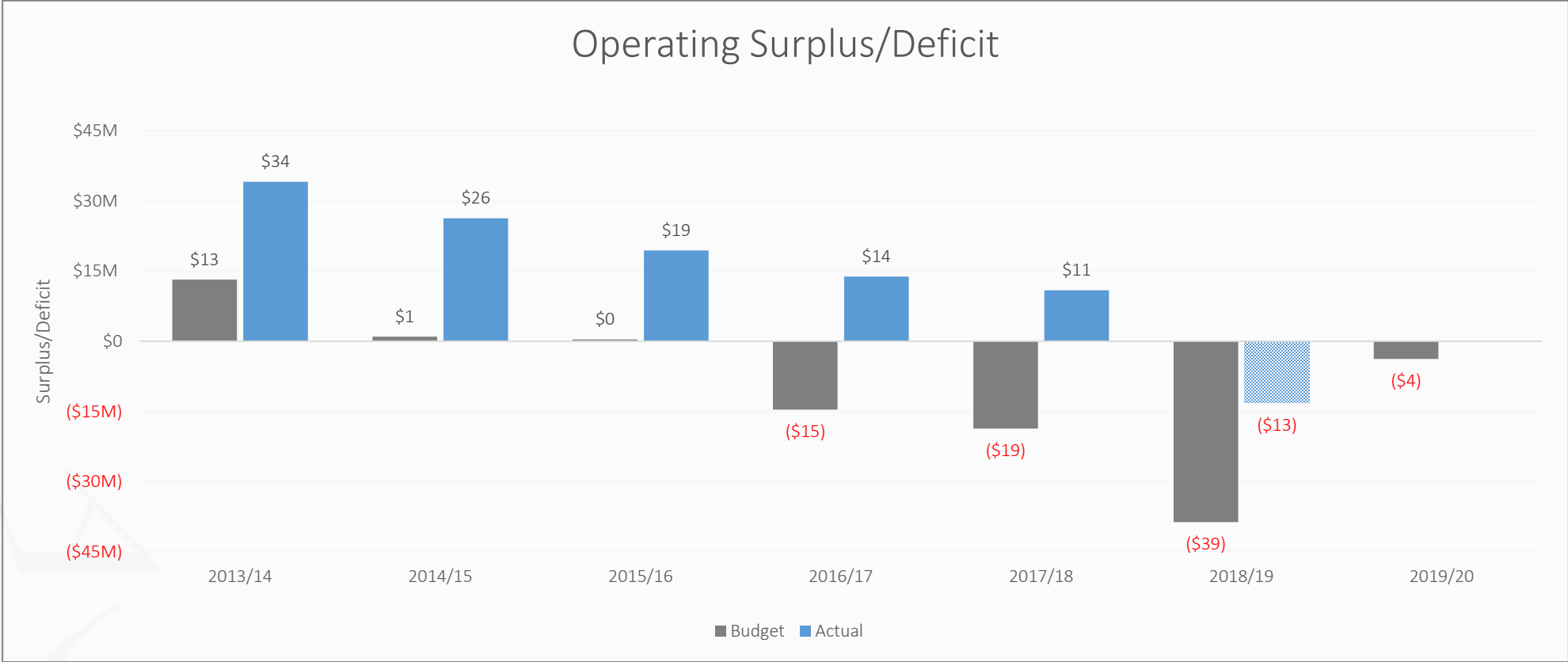
General Operating Budget



Topic 4: General Operating Budget

- \$2.9M operating deficit projected this year
 - Additional \$10.3M capital spending funded through budget
 - \$25M improvement vs original budget
- \$202M fund balance as of 6/30/18
 - 4.7 months of operating expense
- School finance legislation expected to provide valuable short-term budget relief
 - Despite added revenue, budget deficit still expected in 2019-2020
 - Legislation delays – not resolves – previously forecasted growing annual deficit

Topic 4: General Operating Budget



2018 FFC Recommendations

Review of Last Year's Report to the Board



2018 FFC Recommendations

1. Invest in the overall elementary experience
2. Evaluate cost-effectiveness of facilities, programs, personnel, and services
3. Continue to provide competitive compensation and invest in leadership development
4. TRE swap: decrease I&S tax rate while increasing M&O rate by equal amount

2019 FFC Recommendations



Recommendation 1...



In order to maintain good stewardship of taxpayer dollars, we recommend the Board continue to **emphasize additional efficiencies** including, but not limited to:

strategic procurement

campus consolidations

preventative maintenance programs

community partnerships



Recommendation 2...



Given that the benefits to Pre-K are incredible for our students, we recommend **prioritizing Pre-Kindergarten** in AISD.

We must move forward with preparing for full day Pre-K irrespective of school finance legislation mandates.

Recommendation 3...



We recommend the Board assess a TRE moving forward **on an as-needed basis.**



*A TRE is not necessary for the current school year thanks to favorable revenue outcomes from the school finance legislation. If deficits continue into future years, a **TRE could be required** to maintain our fund balance.*

Appendix



The FFC is charged with the following:

- Review external and internal data on issues relating to Texas public education, including the school finance and accountability systems and Texas bond election laws, to understand how those issues affect AISD's budget, tax rates and long-range financial planning.
- Review the District's strategic plan to understand the impact that the strategic plan may have on the budget, tax rates and long-range financial planning.
- Review the current general operating budget to gain an understanding of cost drivers and financial trends.
- Review data including, but not limited to, the following topics in order to assess the impact on AISD budgets and provide input, as appropriate:
 - Enrollment trends and projections
 - Property value trends and projections
 - Academic Services priorities and operational efficiency priorities presented to the Committee by the AISD administration
 - Current staffing methods in relation to state education law and current administration protocol
 - Compensation and benefits, including available salary market information, health insurance and wellness plan
 - Operating costs associated with bond projects
- Formalize recommendations for the budget and long-range financial plans as appropriate to support the District's strategic plan, including possible additions, reductions or deletions to the budget. Recommendations should be aligned with the strategic plan, priorities and budget considerations presented by AISD administration and should consider operational efficiencies. The Committee may recommend that budget items/initiatives be: (1) deferred to a future year budget or possible future bond election, (2) eliminated, or (3) outsourced.
- Present advisory, consensus reports and recommendations to the administration and Board annually or more frequently, if necessary, regarding the AISD budget and long-range financial plans.

Letter to Commission on Public School Finance

Justice Brister and members of the Texas Commission on Public School Finance, AISD Trustees:

Under the current public school finance system, taxpayers bear an unfair burden. School districts see no benefit when property taxes rise, and communities see no benefit for our students. As taxpayers, business owners, parents, teachers and advocates for students, we are looking to your leadership to solve our state's most urgent political and economic policy challenge: **fix public school finance now**.

We are frustrated and dissatisfied with the status quo. Our current system relies increasingly more on our local property taxes for funding, while the state has not met its responsibility to support and maintain an efficient system of public schools. Currently, less than 40 percent of school funding comes from the state, while local taxpayers shoulder the burden for more than 60 percent. Still our property taxes rise—while fewer state dollars per student support our schools. Unbeknownst to most taxpayers, the state diverts savings from property value growth to areas other than education.

It is an untenable system in which districts and taxpayers are denied leverage for developing solutions. As property taxes go up, the state provides less funding to districts—whose revenue is essentially fixed each year, with no adjustment to state aid for inflation. A system that penalizes taxpayers and students for economic prosperity and rising property values is, by definition, a broken system that is bound for failure.

Our communities can no longer sustain this broken system. **We need your help.** Together we must advocate the state to become an equal partner in funding public education, to establish transparency in taxation of our property owners, and to relieve the growing financial pressures of our school districts. This is the only avenue for all districts to improve student outcomes for all children, to inspire life-long learners, and to develop productive, employable citizens who will advance our Texas legacy of a strong economy.

Texas needs a public school finance system that works, while advancing:

- 1. Student Achievement.** This new finance system must be driven by the outcome of the most prepared students possible. It must improve equity, reduce dependence on local property taxes and ensure that Texas develops a workforce to fortify the state's economy. It should provide tax relief to property owners and maintain the state's investment in developing a competitive workforce by dedicating state budget savings derived from property value growth to public education.
- 2. Recruitment and Retention of a Qualified Education Workforce.** Improve access to affordable health insurance for public school employees and ensure the Teacher Retirement System (TRS) has sound funding. Both are significant strategies to recruit and retain qualified teachers and support staff —and have a direct impact on the quality of the education of our children.
- 3. A Reduced Burden on Taxpayers.** Create an equitable system in which the state is an equal partner in funding public education. Require that property tax statements and Truth-in-Taxation notices include statements disclosing the contribution of local funds and state funds for public school districts' operating budgets. Additionally, provide relief from current unfunded state mandates and not add additional unfunded mandates to our already over-burdened school districts.

As a community, **we are committed to working together** and finding common ground that helps all students succeed. We support the Commission's development of a school finance system that includes the state as an equal funding partner, provides relief to local taxpayers, and creates opportunities for school districts to do the work of preparing our children to sustain and grow our Texas economy for years to come. We look forward to sharing our community's call to action with our elected representatives and voters as we work together to make meaningful, lasting change in our public school finance system.