



Community Budget Advisory Committee

September 5, 2018

Financial Context



General Fund – Past, Present, and Future

	Budget 2019	Estimated 2018	Audited 2017	Audited 2016	Audited 2015
Revenues					
Local revenues	\$ 418,985,588	\$ 388,730,033	\$ 353,435,879	\$ 316,633,254	\$ 294,766,240
State program revenues	64,797,332	58,394,238	89,865,310	117,970,990	125,138,100
Federal program revenues	6,199,000	6,570,955	7,010,280	6,826,030	5,766,609
Total Revenues	489,981,920	453,695,226	450,311,469	441,430,274	425,670,949
Expenditures					
Instruction and student services	363,781,592	374,832,259	350,998,220	350,775,627	339,578,252
Student transportation	15,209,089	14,658,701	13,698,405	14,162,770	9,817,619
Extracurricular activities	11,491,934	10,304,203	10,443,262	10,101,436	9,534,647
General Administration	11,264,474	9,534,281	9,573,901	9,246,319	8,771,434
Facilities maintenance	43,946,478	37,706,597	37,896,783	36,752,856	35,621,269
Technology	12,294,291	10,936,432	9,700,756	9,912,375	8,335,665
Security	2,763,869	2,007,490	2,126,050	1,927,559	1,575,133
Debt Service	-	658,425	658,425	658,425	658,425
Recapture payments	34,476,000	-	-	-	-
Tax Appraisal and Collection	3,282,088	2,939,064	2,853,234	2,783,812	2,716,149
Total Expenditures	498,509,815	463,577,452	437,949,036	436,321,179	416,608,593
Excess (deficiency) of revenues over expenditures	(8,527,895)	(9,882,226)	12,362,433	5,109,095	9,062,356
Total other financing sources and uses	-	(423,783)	(1,643,830)	(1,584,329)	2,696,733
Net change in fund balances	\$ (8,527,895)	\$ (10,306,009)	\$ 10,718,603	\$ 3,524,766	\$ 11,759,089

Debt Service Fund – Past, Present, and Future

	Budget 2019	Estimated 2018	Audited 2017	Audited 2016	Audited 2015
Revenues					
Local revenues	\$ 142,198,990	\$ 134,155,622	\$ 125,455,187	\$ 128,572,693	\$ 119,364,488
State program revenues	1,966,051	2,125,354	2,472,502	2,196,351	-
Federal program revenues	489,807	491,386	489,807	490,333	487,703
Total Revenues	144,654,848	136,772,362	128,417,496	131,259,377	119,852,191
Expenditures					
Debt Service	138,895,565	139,695,715	115,142,416	251,884,323	117,983,354
Total Expenditures	138,895,565	139,695,715	115,142,416	251,884,323	117,983,354
Excess (deficiency) of revenues over expenditures	5,759,283	(2,923,353)	13,275,080	(120,624,946)	1,868,837
Total other financing sources and uses	(5,000,000)	694,233	590,428	123,768,142	(1,705,544)
Net change in fund balances	\$ 759,283	\$ (2,229,120)	\$ 13,865,508	\$ 3,143,196	\$ 163,293
Fund Balance - beginning	41,048,192	43,277,312	29,411,804	26,268,608	26,105,315
Fund Balance - ending	\$ 41,807,475	\$ 41,048,192	\$ 43,277,312	\$ 29,411,804	\$ 26,268,608

Two Buckets of Money

General Fund

- Day-to-day operations of the district such as teacher salaries, utility costs, fuel, supplies, etc.
- Referred to as “Maintenance and Operations”
- Similar to salary in our home budgets

Debt Service Fund

- Pays for capital expenditures for land, building construction, technology, facility renovations, etc.
- Referred to as “Interest and Sinking”
- Similar to the mortgage in our home budgets

Can't mix the two buckets

FAQ

LISD has money for a new building. Why doesn't the District have enough money for bigger salary increases?

- Buildings and similar construction costs are paid from the bond “bucket” – with no cost to the State or to other taxpayers in any other Texas school district.
- Salary costs are paid for from the day-to-day operations “bucket.”
- Since the “buckets” can't be mixed, one is often in much different financial condition than the other.

Significant Factors in Finance for LISD

Demographic Changes

Almost 1/3 of students come to us with economic disadvantages

Property Values

Increases in Property Values bring only a one year benefit to LISD before the state equalized wealth formulas reduce net available funding

Staffing

Over 81% of the budget is the cost of people, net of recapture

Student Needs

More students are coming with greater educational needs that cost more to serve

Weighted Daily Average Attendance

Attendance = funding
Absence = no funding

Management of Long-Term Voter Approved Bonds

Bonds on Short Payback

Refinanced about 1/3 of outstanding voter-approved bonds at lower interest rates



Changing Landscape - Recapture





What is Recapture?

Payments to the State of Texas General Revenue Fund of taxes collected from local citizens levied for the purpose of supporting local school districts.

Dallas Morning News – 7/4/2018

- “Property taxes continue to rise, but increasingly for taxpayers in North Texas, those dollars aren’t going to local school districts.”
- “. . . for the 2018-19 school year, 25 D-FW school districts are expected to surrender \$539 million back to the state through recapture.”
- “Statewide, the TEA estimates that 217 school districts will be subject to recapture for the upcoming school year, with \$2.69 billion of local property taxes siphoned back to the state.”

<https://www.dallasnews.com/news/dallas-isd/2018/07/04/property-taxes-staying-isd-record-number-d-fw-districts-give-millions-back-state>

What Causes Recapture

- When Taxable Property Values divided by Weighted Average Daily Attendance Exceed a statutory amount.
- These are literally wire transfers that will be made during the 2018-19 school year directly from our LISD bank account to the State of Texas.

Here's How It Works

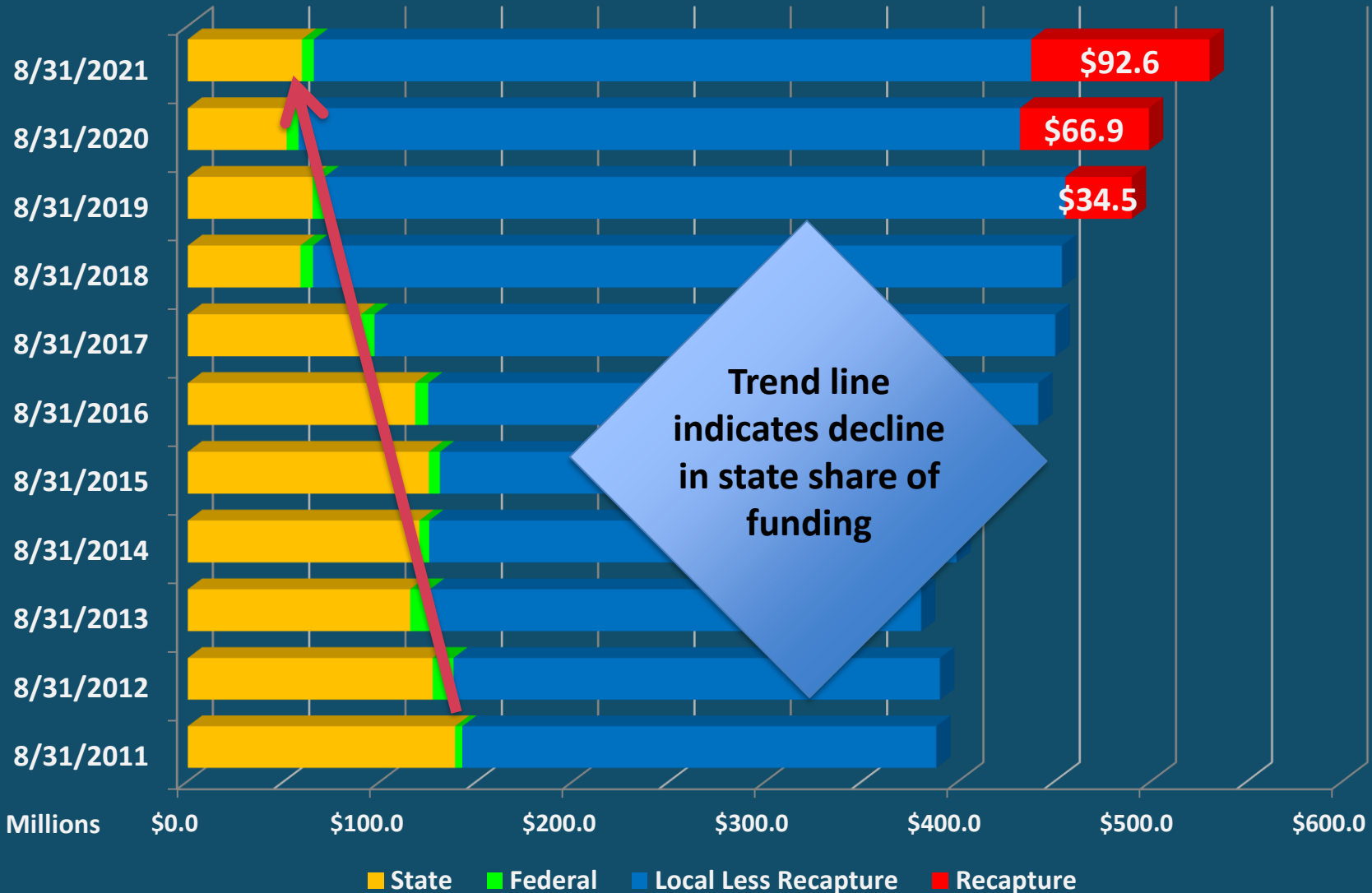
Actual Projected Amounts

Last Year's (2017) Property Values	\$35,372,317,892
2018-19 Projected WADA	62,520
Projected Property Value per Student	\$ 565,776

"Equalized" Property Value per Student

Tax Base Retained (WADA x \$514K +/- Adj)	\$32,135,188,508
Projected Taxes on Actual Prop Values	\$ 400.4 million
Projected Taxes on "Equalized" Values	<u>\$ -365.9 million</u>
Local Tax Money must be Paid to State	\$ 34.5 million

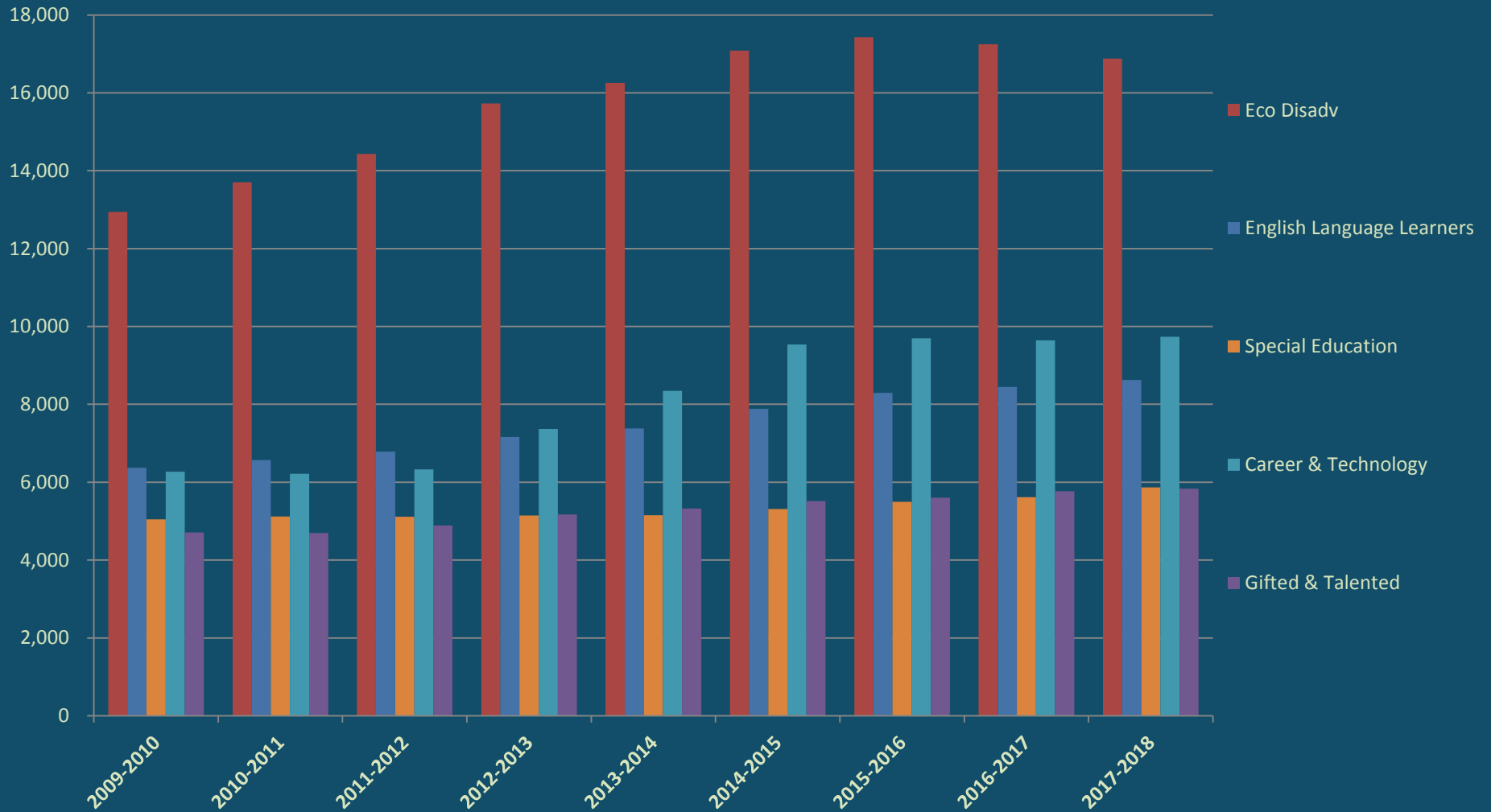
10-Year Context



Changing Landscape – Student Needs Increasing



Educational Needs on the Rise



Student Needs

Special Education

Students with autism, emotional disturbances, learning disabilities, speech impairments, visual impairments, medically fragile, or have severe cognitive delays, etc.

English Language Learners

Over 85 languages spoken in LISD with students arriving at all different grade levels speaking various levels of English and educational backgrounds.

Economically Disadvantaged

Students whose parents qualify for free and reduced lunch. Often the meals provided at school are the most consistent food students receive.

Career and Technical Education (CTE)

Programs that provide students career preparation in health science, engineering, manufacturing, graphic design, and animal science, etc.

Dyslexia

Students who are identified from specific dyslexia testing

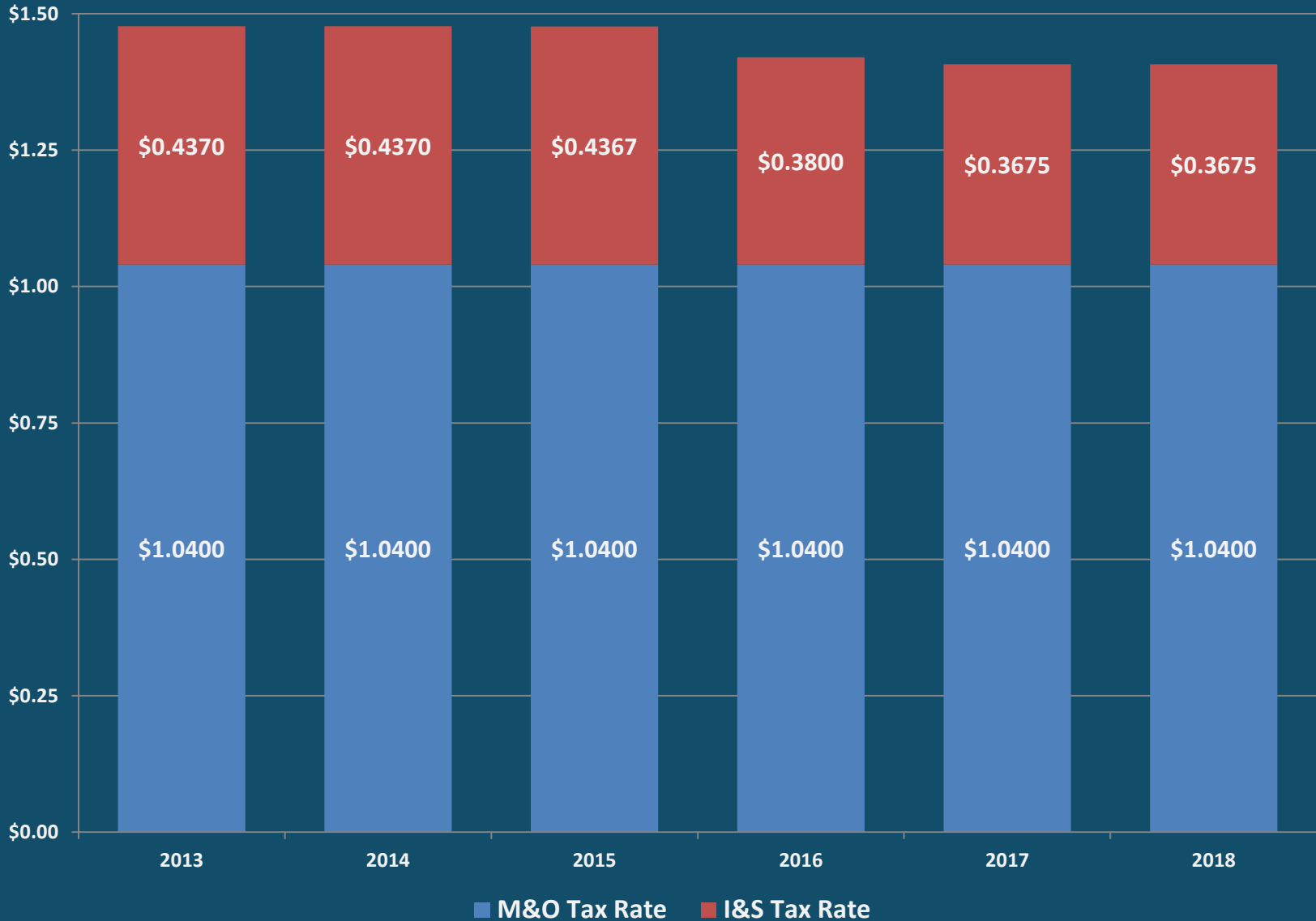
Gifted/Talented (G/T)

Students who perform or show the potential to perform at a remarkably high level of accomplishment when compared to others of the same age, experience, or environment in areas defined by TEA

Resource Stewardship



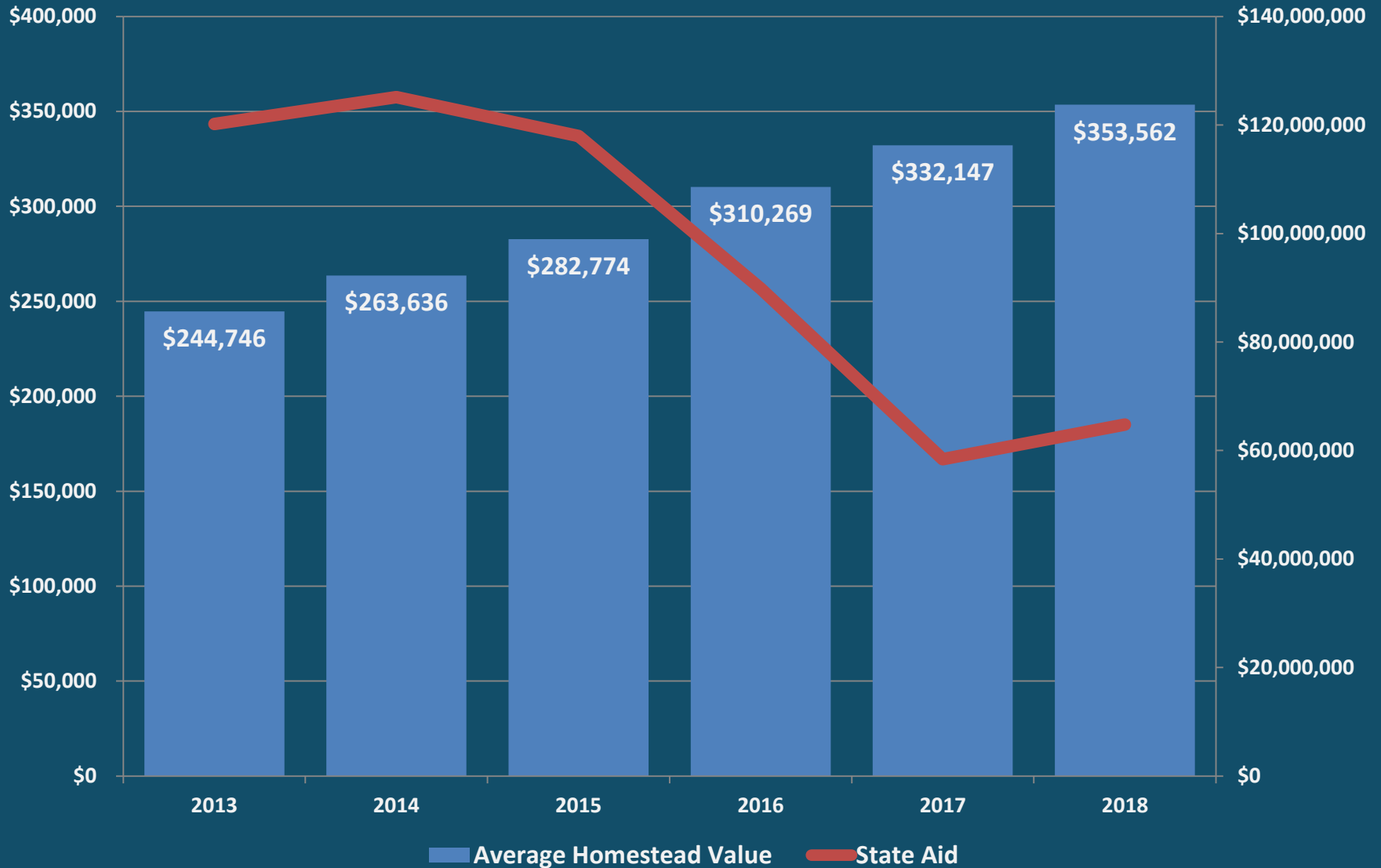
Historical Tax Rates



M&O Taxes Due on Average Home in LISD



Home Values & State Financial Support



The Future



3-Year Budget Outlook

(in Millions)

	2018-2019	2019-2020	2020-2021
Local Revenues	\$ 418.9	\$ 441.3	\$ 465.0
State Revenues	64.7	54.1	61.9
Federal Revenues	<u>6.2</u>	<u>6.2</u>	<u>6.2</u>
Total Revenues	<u>489.8</u>	<u>501.6</u>	<u>533.1</u>
Salaries & Benefits	379.3	386.7	394.6
Non Payroll Expenditures	84.7	85.6	86.5
Recapture Payments	<u>34.5</u>	<u>66.9</u>	<u>92.6</u>
Total Expenditures	<u>498.5</u>	<u>539.2</u>	<u>573.7</u>
Projected Surplus (Deficit)	\$ <u>(8.7)</u>	\$ <u>(37.6)</u>	\$ <u>(40.6)</u>
Projected Ending Fund Balance	\$ <u>145.9</u>	\$ <u>108.3</u>	\$ <u>67.7</u>

Already Done for 2018-19

- Staffing reductions
- Determine tolerance for class-size waivers
- Substitute cost reductions (25%)
- Reductions in non-payroll budgets
- Continuation of review of all non-campus openings

Future Action Steps

- Help us look at all viable options for balancing future budgets
- Everything will be on the table for consideration:
 - No “sacred cows”
 - What do we value?

Elevator Speech Points

- “Recapture payments from LISD and other Chapter 41 Districts go into the State’s General Revenue Fund, not directly to property poor school districts.”
- “Student needs are increasing.”
- “LISD continues to do more with less.”
- “Day-to-day items and bond construction items are separate funds that can’t be mixed.”
- “The State of Texas benefits from rising property values, not LISD.”
- “LISD is repaying its debt much faster than most districts.”

Conclusions

- We have time to do this in an orderly manner with the least disruption to instruction.
- LISD will need to make adjustments to its expenditure budgets and/or revenue stream over the next 2 budget cycles.
- It will be important to obtain community buy-in to the solutions ultimately chosen.



LEWISVILLE INDEPENDENT SCHOOL DISTRICT