



Piecing Together a New Plan

2011-2012 Board Budget Study Session #3

June 13, 2011



Agenda



1 Legislative Update



2 Updated General Fund Budget



Legislative Update



Legislative Update

A Tale of Two Cuts

- For 2011-2012, cuts are focused on regular program allotment
- For 2012-2013, most of the regular program allotment is restored, and cuts focus on "Additional State Aid for Tax Reduction", i.e., Hold Harmless funding
- As sent to Conference Committee, both the House and Senate versions result in the same revenue for NEISD for 2011-2012 & 2012-2013

State Foundation Program	2011-2012 Current Law	2011-2012 SB1	Difference	2012-2013 Current Law	2012-2013 SB1	Difference
Tier I (formula)	\$131.0M	\$107.3M	(\$23.7M)	\$141.8M	\$135.5M	(\$6.3M)
Tier II (Golden pennies)	8.0M	6.9M	(1.1M)	8.6M	8.3M	(0.3M)
Hold Harmless	60.4M	56.9M	(3.5M)	56.8M	21.0M	(35.8M)
Other	1.8M	1.8M	-	1.8M	1.8M	-
Total	\$201.2M	\$172.9M	(\$28.3M)	\$209.0	\$166.6M	(\$42.4M)



Legislative Update

Change to NEISD vs. Current Law

Projected Revenue Loss	2011-2012	2012-2013	2013-2014*
Special Session SB1	(\$28.4M)	(\$42.4M)	(\$50.6M)

* NEISD estimate for 2013-2014 (a) based on bill language that eliminates all Hold Harmless revenue by 2017 and (b) assumes state appropriation next biennium will not fund enrollment growth

Long-Term Ramifications*

- Hold-harmless for 2006 tax rate reduction being eliminated, but tax rate cap of \$1.04 still exists
- School finance decisions now under the part of the biennial appropriations bill, with blanket reductions easily made via budget process
- Cuts made via proration in one biennium no longer must be made whole in the subsequent biennium
- All reductions are being made to the “regular” allotment with no local discretion for flexibility in other programs

*Before potential sunset provisions amended in House version



Legislative Update

Other Cautions

- To balance education funding at \$4 billion in cuts without really raising additional revenue, the bill includes the following *interesting* elements:
 - Changes assumptions regarding property values (higher property values mean less state obligation)

Change in property value	2011-2012	2012-2013	Difference
Original Estimate	-3.47%	+0.69%	
New Estimate	-0.97%	+0.52%	
Effect to Funding*	(\$399.8M)	\$30.2M	(\$369.6M)

- Assumes passage of constitutional amendment to allow transfer of \$300 million from Permanent School Fund to Foundation School Fund
- Assumes the August 2013 payment delay is worth \$2.3 billion – all previous estimates were \$1.8 billion -- \$2.0 billion

*NEISD estimate



Legislative Update

Other Cautions

- Other assumptions:
 - Changes assumption of enrollment growth (fewer students means less state obligation)

Increase in ADA	2011-2012	2012-2013	Total
Original Estimate	77,325	78,630	233,280
New Estimate**			104,000
Effect to Funding**			(\$430.4M)

**NEISD estimate based on vague bill language

- These examples total approximately \$1.4 billion of questionable funding mechanisms
 - Additional potential revenue loss to NEISD could be more than \$20 million



2010-2011 Revenue vs. 2011-2012

NEISD General Fund	2010-2011	2011-2012 Proposed	Difference
Property Tax Revenue	\$282.5M	\$277.6M	(\$4.9M)
Other Local Revenue	4.4M	3.9M	(0.5M)
State Revenue	187.5M	174.4M	(13.1M)
TRS Revenue	23.5M	23.5M	0.0M
Federal Revenue & Other	6.2M	5.6M	(0.6M)
Total Revenue	\$504.1M	\$485.0M	(\$19.1M)

Under the proposed funding formula, NEISD will see a decline in revenue of \$19.1M in 2012 compared to 2011. Revenue would drop another \$7.6M in 2013.



2011-2012 Effective Revenue Loss

NEISD General Fund	2011-2012 Current Law	2011-2012 Proposed	Difference
Property Tax Revenue	\$277.6M	\$277.6M	\$0.0M
Other Local Revenue	3.9M	3.9M	0.0M
State Revenue	202.8M	174.4M	(28.4M)
TRS Revenue	23.5M	23.5M	0.0M
Federal Revenue & Other	5.6M	5.6M	0.0M
Total Revenue	\$513.4M	\$485.0M	(\$28.4M)

Compared to the current funding formula law, NEISD will lose \$28.4M in 2012, all in State revenue. The State's share of total General Fund revenue would fall from 39% to 36%.



General Fund Forecast



General Fund Forecast

(in millions)	2010-2011 Forecast	1 st Year Change	2011-2012 Forecast	2 nd Year Change	2012-2013 Forecast	3 rd Year Change	2013-2014 Forecast
Revenue	\$504.1	(\$19.1)	\$485.0	(\$7.6)	\$477.4	(\$0.2)	\$477.3
Expenditures	484.5	(19.5)	465.0	19.1	484.1	0.9	485.0
Increase (Decrease) to Fund Balance	\$19.6		\$20.0		(\$6.7)		(\$7.7)
Beginning Fund Balance	71.9		91.5		111.5		104.8
Ending Fund Balance	\$91.5		\$111.5		\$104.8		\$97.0
Months of Operating Fund Balance	2.4		3.0		2.7		2.5
Revenue/Student	\$7,580	(\$400)	\$7,180	(\$226)	\$6,954	(\$111)	\$6,843
Expenditures/Student	\$7,285	(\$400)	\$6,885	\$167	\$7,052	(\$98)	\$6,954



Expenditure Increases for 2011-2012

Costs to Absorb Educational Programs Losing Grant Funding:		\$1,610,000
Technology Allotment	\$1,052,000	
Student Success Initiative	492,000	
Life Skills	66,000	
Set-aside for Repayment of QSCBs		1,700,000
Increased District Share of Health Insurance		1,792,000
Other Increases for New School Start-Up, Inflation, AARs		2,479,000
Contingency Allowance		3,000,000
Total Expenditure Increases		\$10,581,000

The funding lost for the Technology Allotment is actually \$1.9 million annually. The program has a fund balance of nearly \$0.9 million that will partially offset the loss in funding in 2011-2012.



Expenditure Reductions for 2011-2012

Central Office Positions Frozen/Eliminated (~52 FTEs, 6.2%)	(\$2,550,000)
Eliminate Retention Supplement	(6,156,000)
Utility Savings	(450,000)
Central Office Department Budget Reductions	(649,000)
Total Before Campus Staffing Reductions	(\$9,805,000)
<u>One-Year Funding of Campus Staff by Education Jobs Fund</u>	(\$10,595,000)
Campus Reductions	
Elementary School Teachers(26 FTEs, 1.3%)	(\$1,576,000)
Middle School Teachers(35 FTEs, 3.7%)	(2,121,000)
High School Teachers(30 FTEs, 2.3%)	(1,818,000)
General Assistants & Clerical Admin – All levels(74 FTEs, 4.4%)	(2,234,000)
Campus Admin & Other Professionals – All Levels (25 FTEs, 3.7%)	(1,917,000)
Total Campus Staffing Reductions	(\$9,666,000)
Grand Total Reductions	(\$30,066,000)



Expenditures

By Object Category

(In Millions)	FY2011 Budget	FY2011 Forecast	FY2012 Budget	FY2012 Forecast
Salaries & Benefits	\$ 426.9	\$421.5	\$405.6	\$398.8
Contracted Services	42.6	39.2	41.9	39.9
Supplies & Materials	18.6	17.9	17.4	18.3
Other Operating	5.8	5.0	5.6	5.0
Capital & Other Uses	0.9	0.9	2.8	3.0
Total Expenditures	\$ 494.8	\$ 484.5	\$473.3	\$465.0
<i>Difference – Budget to Forecast</i>	<i>\$10.3M -- 2.1%</i>		<i>\$8.3M – 1.8%</i>	

There will always be a minor difference between the budget and the forecast, mainly due to position vacancy rates and projected unused budgets.



Expenditures

By Functional Category

(In Millions)	FY2011 Budget	FY2011 Forecast	FY2012 Budget	FY2012 Forecast
Instruction & Instructional Related Svcs	\$ 326.0	\$ 320.4	\$309.7	\$302.9
Instructional & School Leadership	36.7	36.6	35.2	35.0
Student Support Services	54.3	53.3	51.7	51.7
Non-Student Support Services	73.7	70.4	70.8	69.5
Other	4.1	3.8	6.0	5.9
Total Expenditures	\$ 494.8	\$ 484.5	\$473.3	\$465.0
<i>Difference – Budget to Forecast</i>	<i>\$10.3M -- 2.1%</i>		<i>\$8.3M – 1.8%</i>	

There will always be a minor difference between the budget and the forecast, mainly due to position vacancy rates and projected unused budgets.



2011-2012 Summary

General Fund	2011-2012 Budget	2011-2012 Forecast
Revenue	\$485,031,000	\$485,031,000
Expenditures	473,257,000	\$465,051,000
Increase (Decrease) to Fund Balance	11,774,000	19,980,000
Beginning Fund Balance	91,522,000	91,522,000
Ending Fund Balance	\$103,296,000	\$111,502,000
Months of Operating Fund Balance	2.8	3.0



Change to Fund Balance over 12-13 Biennium

Forecasted Change to Fund Balance by Year		
2011-2012	2012-2013	Biennium Total
\$19,980,000	(\$6,728,000)	\$13,252,000

What is \$13,252,000?

- 110 teachers for two years; or
- 1.8% across the board raise over two years; or
- Total of proposed bond bus replacement program PLUS elementary playground sunshade program; or
- 1/5th of the proposed bond technology program; or
- Cost to educate 1.4% of NEISD's students for 2 years;

OR

The ability to absorb additional cuts in 2013 if State estimates are \$1.4 Billion short



Debt Service Fund Summary

	2010-11 Forecast	2011-12 Budget
Total Revenue	\$ 98,262,000	\$ 97,793,000
Total Expenditures	86,835,000	104,757,000
Net Increase/(Decrease) to Fund Balance	\$11,427,000	(\$6,964,000)
Beginning Fund Balance	76,780,000	88,207,000
Ending Fund Balance	\$88,207,000	\$81,243,000
Less: QSCB Set-Aside		(\$1,700,000)
Fund Balance Available for Payments From July1 – December 31		\$79,543,000
Debt Payments from July1 – December 31		\$73,474,000



School Nutrition Services Fund Summary

	2010-11 Forecast	2011-12 Budget
Total Revenue	\$ 30,166,000	\$ 31,679,000
Total Expenditures	30,304,000	31,566,000
Net Increase/(Decrease) to Fund Balance	(\$ 138,000)	\$ 113,000
Beginning Fund Balance	7,715,000	7,577,000
Ending Fund Balance	\$ 7,577,000	\$ 7,690,000
Months of Expenditures in Fund Balance	3.0	2.9



Upcoming Meetings



June 27 – Budget Adoption Hearing



August 8 – Tax Rate Adoption

Questions?

