
FINANCIAL OVERVIEW AND BUDGET SUMMARY

Executive Summary

Budget Introduction

The following document represents the proposed budget for the Spring Branch Independent School District (SBISD) for the 2022 fiscal year. The budget provides a look at the financial and program priorities based on the Spring Branch T-2-4 Plan for the 2021-2022 school year.

The Texas Legislature concluded the 86th Legislative Session in 2019 by providing relief to ‘property wealthy’ districts making recapture payments to the state. SBISD recapture payments decreased from \$84 million in fiscal year 2019 to \$39 million in fiscal year 2020, with an estimated increase to \$51 million in fiscal year 2022. HB3 also increased the basic allotment and many programmatic funding weights. The state also required 30 percent of the basic allotment increase to be allocated to salary increases in fiscal year 2020 for full time non-administrative employees. Those required salary increases are still maintained within the SBISD’s current salary structure.

The Board of Trustees prioritized salaries in their budget parameters. SBISD strives to provide salaries and benefits to maintain a competitive position for recruiting and retaining quality staff, and to ensure the students of SBISD are well-equipped to continue their education and attain a technical certificate, entrance into the military or a two- or four-year degree. This year the district initiated a pay maintenance review as a follow-up to the compensation study performed by Texas Association of School Boards (TASB) during the 2019 – 2020 school year. The purpose of the TASB pay system review was to ensure that salaries align with industry standards. As a result, the district is recommending a two percent increase of the midpoint inclusive of a step for employees on step schedules. Employees not on a step schedule are paid on pay bands and will receive an increase based on 2% of midpoint for full-time employees whose salary falls within the pay range for their job type. Full-time employees whose salary falls above the pay range for their pay band will receive a 1% of midpoint increase.

The proposed budget for FY 2021 for the General Fund totals \$360,746,815 which represents an increase of approximately \$1.3 million from the final amended budget for FY 2021. The chart below represents a five-year analysis of the General Fund budget. This analysis excludes recapture payments to the State so that expenditures for the benefit of SBISD students is not distorted.

Fiscal Year	General Fund Expenditures*	\$ Increase/ Decrease	% Increase/ Decrease	Enrollment	Increase/ Decrease	Cost per Student	\$ Increase/ Decrease	% Increase/ Decrease
2018	294,752,996 (A)	(1,843,519)	-6.20%	35,032	(72)	8,414	(35)	-0.42%
2019	305,683,399 (A)	10,930,403	3.71%	34,730	(302)	8,802	388	4.61%
2020	331,764,180 (A)	26,080,781	8.53%	35,199	469	9,425	624	7.09%
2021	359,449,557 (B)	27,685,377	8.34%	33,308	(1,891)	10,792	1,366	14.50%
2022	360,746,815	1,297,258	0.36%	34,800	1,492	10,366	(425)	-3.94%

* Excludes Recapture payments

(A) Audited Actual

(B) Final Amended Budget

Budget Overview and Planning

State funding formulas have been revamped by the Legislature for the 2021-2023 biennium in an effort to clean up HB3 adjustments from the previous legislative session. The formulas and student enrollment are used to calculate revenue for the District. The basic allotment for the first year of this new biennium continues at \$6,160 per student for FY 2022.

Beyond student enrollment, much of the budget planning and development is focused on the general fund expenditure budget. Early in the budget cycle, senior management and the Board of Trustees discuss the priorities for the upcoming school year. With the Spring Branch T-2-4 Plan as the overarching guide, it is the document by which all decisions (especially funding decisions) are measured. Multiple paths for our students' long-term success is the primary goal and the budget priority. In planning for student success, both the Board of Trustees and the Superintendent's first priority is Literacy & Numeracy. Additional priorities include Counseling and Social Emotional needs of students, Career and Technical Education, additional supports for various student populations, and salaries for Teachers and Staff.

The Board has fund balance policies which establish the appropriate level of fund balance for the general and debt service funds. If expenditures will exceed anticipated revenues, a key question is how much fund balance should be utilized. In governmental budgeting, the expenditure budget is the cap. Based on historical budgeting and spending patterns, the general fund is typically under spent by one to two percent which would result in actual expenditures being \$4 to \$8 million less than budgeted expenditures.

Paramount to building an annual budget is the identification of realistic assumptions agreed upon by the District and its governing body.

Revenue

General Fund revenue, net of local revenue in excess of entitlement (the new name for Recapture), is expected to be relatively constant on a per student basis. Per HB3 formulas, the revenue will only change if the basic allotment is adjusted. Revenue assumptions include an increase of 4.4% percent in student enrollment

(accounting for a moderate recovery from the 20/21 student enrollment drop due the pandemic) and a 2.28% increase in property values. State funding and local taxable values are aggregated to determine the revenue for each school district. For the past several years, Local Taxes have increased because of increases in Taxable Assessed Values, and State Funding has decreased accordingly. HB3 and SB2 provided for tax rate compression which slows the increase in local property taxes. There is no change projected for the 2021-2022 school year. The Texas Education Agency will determine the actual tax rate the district can levy in August after analyzing the various projected property value growth across the state.

The following table provides a comparison of revenues by source for fiscal years 2021 and 2022:

General Fund Revenue Sources			
	Final Amended Budget FY 2021	Proposed Budget FY 2022	Percentage Change
Local Taxes	\$333,896,822	\$341,509,670	2.28%
Less Recapture	(60,149,110)	(51,618,062)	-14.18%
Penalty / Interest & Misc. Tax	5,558,000	5,243,000	-5.67%
State Funding	20,936,878	14,325,675	-31.58%
Prior Year Funding Adjustment	-2,319,341	850,000	-136.65%
State TRS Contributions	17,927,890	19,080,512	6.43%
Federal & Other Sources	10,119,354	11,580,000	14.43%
	<u>\$325,970,493</u>	<u>\$340,970,795</u>	4.60%

While the actual state funding formula for the revenue entitlement is rather complicated, the basic calculations are as follows:

- Tier I allots an amount per student to each school district based on average daily attendance (ADA) with additional weight given for special programs. From the total Tier I allotment, a deduction is made for the local district's share based on the individual district's property tax base. (This is the formula by which an increase in property values offsets state funding.) The remainder represents the State's share of Tier I funding. Under this methodology, a district's wealth factors significantly into its share of state funding. The higher the local property wealth per student, the higher the proportional deduction from the Tier I total. The basic concept that as wealth per student increases, State funding decreases continues to be a factor of the funding formula.
- Tier II of the formula rewards the tax effort of a district by guaranteeing that tax effort in the current year, beyond the required local share of Tier I, will yield a minimum amount of money per weighted ADA. The guaranteed yield amount is \$98.56 for the biennium for the first 8 cents of tax rate above the compressed rate. Then the guaranteed yield drops to \$49.28 for additional pennies on the tax rate. Property values have a dramatic impact on both state and local revenue estimates. Student enrollment projections influence state revenue estimates, staffing decisions, per-pupil allocations, facility needs, debt issuance requirements, and many other budgetary decisions. The property values determine whether the source of funds is from a local property tax or state funding; and, in future years, value growth will also impact the tax rate that a district will set. This will control the rampant increases in recapture.

The primary factors influencing these estimates are as follows:

- Student Enrollment – SBISD had a drop in enrollment for fiscal year 2021 due to the effect of the pandemic. A growth of 4.4% is estimated to account for a moderate recovery of that loss of enrollment. A year by year look at student enrollments is located on the first page of this summary.
- Property Value – The Harris County Appraisal District has projected a 2.28% increase in property values for SBISD. A recent history of taxable values is shown below. This estimate is also very important in developing revenue forecasts for the State and Local components of the General Fund as well as the Debt Service Fund.

Taxable Values - SBISD

<u>Fiscal Year</u>	<u>Property Value</u>	<u>% Increase</u>
2018	31,881,522,142	4.11%
2019	32,660,731,512	2.44%
2020	34,449,987,364	5.48%
2021	35,997,297,175	4.49%
2022*	36,818,691,634	2.28%

*Estimate

Tax Rate and General Fund Balance Impact

The District maintains a local Board Policy that sets a target for fund balance at 19% of annual budgeted expenditures. The proposed budget does not project a balanced budget, with expenditures exceeding revenues by \$19.7 million leaving a projected fund balance at the end of FY 2022 of \$93 million or 25.8%. The ending fund balance for FY 2022 is based upon final estimates for FY 2021.

The proposed budget is based on a tax rate of \$1.00298 for the General Fund, which is the same as the current year based on tax rate compression. The actual compressed rate will be determined and provided by the state late summer. The actual tax rate will not be adopted before September.

The following table shows SBISD's tax rate for the General Fund and Debt Service Fund.

District Tax Rate - History

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2018	1.09000	0.30450	1.39450
2019	1.11000	0.28450	1.39450
2020	1.01650	0.30450	1.32100
2021	1.00280	0.30450	1.30730
2022*	1.00280	0.30450	1.30730

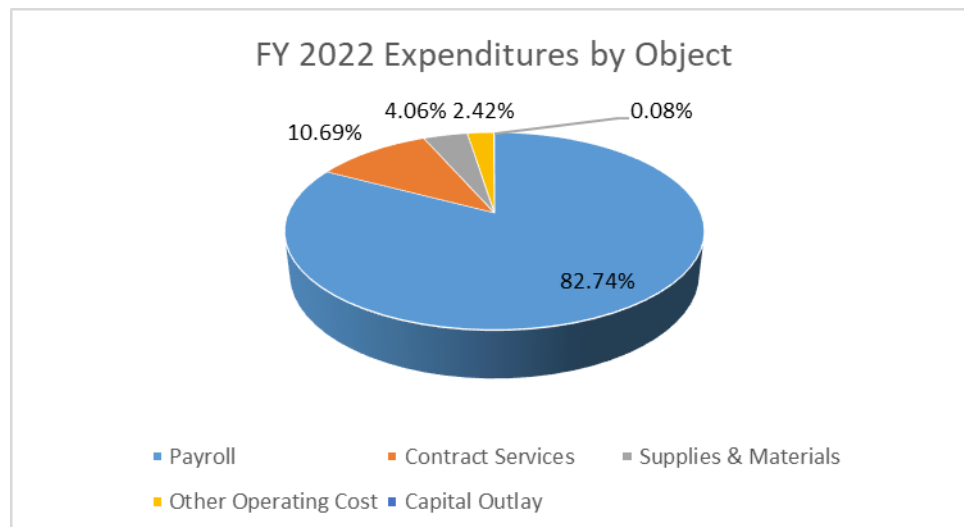
*Projected

Expenditures

General Fund expenditures, excluding recapture, are budgeted to Increase by 1.3 million from the FY 2021 final amended budget. The following table provides a comparison of budgeted expenditures by major objects for fiscal years 2021 and 2022:

General Fund Expenditures by Object

	Amended Budget FY 2021	Proposed Budget FY 2022	Percentage Change
Payroll Costs	\$289,255,446	\$298,471,139	3.19%
Contracted Services	36,627,357	38,578,102	5.33%
Supplies and Materials	24,158,541	14,652,702	-39.35%
Other Operating Cost	7,308,331	8,763,872	19.92%
Capital Outlay	2,099,882	281,000	-86.62%
District Expenditures	359,449,557	360,746,815	0.36%
Recapture	60,149,110	51,618,062	-14.18%
Total Expenditures	<u>\$419,598,667</u>	<u>\$412,364,877</u>	-1.72%



The education of students is a labor-intensive process with payroll expenditures comprising approximately 83% of the General Fund Budget. This year the district initiated a pay maintenance review as a follow-up to the compensation study performed by Texas Association of School Boards (TASB) during the 2019 – 2020 school year. The compensation package in this budget represents an increase of 2% of midpoint inclusive of the step for employees on step schedules. Employees not on a step schedule are paid on pay bands and will receive an increase based on 2% of midpoint for full-time employees whose salary falls within the pay range for their job type. Full-time employees whose salary falls above the pay range for their pay band will receive a 1% of midpoint increase.

Spring Branch ISD will increase the District's current contribution level for health insurance. The District will share the cost of the health plans increase with the employees. One of the most important expenditure assumptions necessary to develop the budget and future year projections is the compensation package, as it is a recurring expense that can add significantly to the budget total for the upcoming and subsequent budget years.

The following chart shows the history of salary increases for full-time employees for the past several years.

<u>Fiscal Year</u>	<u>Teachers, Nurses, Librarians, Counselors & Diagnosticians</u>	<u>Administrative, Professional Support, Secretarial/Technical & Auxiliary Staff</u>
2018	3% of Midpoint within range or 1% of Midpoint if above range	3% of Midpoint within range or 1% of Midpoint if above range
2019	3% of Midpoint within range or 1% of Midpoint if above range	3% of Midpoint within range or 1% of Midpoint if above range
2020	Teacher's Step Schedule increase 6% - 9%, Counselor's Step Schedule increase 4% - 7%	4% of Midpoint within range or 1% of Midpoint if above range
2021	2% of Midpoint for those on a step schedule	2% of Midpoint within range or 1% of Midpoint if above range
2022	2% of Midpoint for those on a step schedule	2% of Midpoint within range or 1% of Midpoint if above range

The following chart indicate the allocations for the campus operating budgets, excluding payroll cost.

FY 2022 Allocation Amounts

	Pre-K	Elementary	Middle	High
Per Pupil Allocations	\$75	\$65	\$70	\$85
Special Population Weights:				
Comp. Ed.		\$20	\$25	\$25
Bil/ESL		\$20	\$25	\$25
Special Education:		\$10	\$10	\$10
Small School Adjustment <500		\$5		
Tital Eligible				\$125