

August 7, 2019 Q&A

Questions from Connie Prado

1. The school district is scheduled to receive approx. \$7.9M in the basic allotment for SY 2019-2020. Of this amount, we anticipate allocating approx. \$3.0M (estimate) for the Pay and Compensation Plan. Additionally, another approx. \$1.9M could be allocated for stipends, substitutes, stipends, etc. That would leave approx. \$3.0M in the basic allotment balance. For this amount, please delineate how these funds will be utilized in the proposed annual budget, 2019-2020. Please specify by budget function and a brief descriptor on how these funds will be used.

\$7.9 million is the 2019-2020 General Fund Estimated Revenue as per House Bill 3 (HB3). This increase will be used to support the HB3 compensation requirements. Remaining funds will be used to balance the budget across all functions of the district.

As per Moak Casey, "In terms of your question regarding the board member questions, I would start with dispelling the myth that the \$7.9 million increase (or \$8 million as appears in the attached revenue projection) is "basic allotment". There are many other changes in the finance structure that impact district revenues in both positive and negative ways, and the gain in per ADA revenue from one year to the next is simply the net of all those changes. As for whatever remains after your allocations to pay increases, unless you have specific programmatic initiatives that you are using the additional resources for (for example, school safety increases, expanding prekindergarten to full-day, etc.), I would be inclined to answer that it is treated as general fund revenue and is used to balance the budget across all functions of the district."

2. In a previous question, I had noted that the TEA website had a seven (7) page summary on HB 3. Perhaps, I was not clear in explaining my request. Nevertheless, I identified numerous special allotments in the TEA summary where the school district can expect additional funding. For example, the Early Education Allotment for students in grades K-3 who are educationally disadvantaged (i.e. eligible for free and reduced lunch) or Limited English Proficient. The allotment for these students is 0.1 per ADA (0.2 if the student is both LEP and ED). The school district would need to determine the number of students in these special populations and apply the appropriate allotment. This would determine what additional funding the school district could expect for this student special population.

I hope this explanation has helped. Therefore, please identify all special allotments the school district is eligible for and provide the total funding for each allotment. The Board should know what funding the school district is entitled to for each applicable allotment. My understanding is that these funds are in addition to the basic allotment even though they are categorical.

The following is the Estimated Funding Allotments as of August 8, 2019, provided by Moak Casey and Associates. Actual Data is not available at this point in time.

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South San Antonio ISD

Revenue Projection 8-2-19

Run Date: 8/2/2019

Using 99.5% of Certified Values and 98.5% Collection Rate

	2018-19	2019-20 Prior Law	2019-20 HB 3
<u>M&O Revenue Summary</u>			
Tier 1 State Aid	44,612,585	42,492,940	52,615,220
Tier 2 State Aid	4,242,272	5,059,921	3,645,759
ASATR	0	0	0
Other State Aid	169,040	169,040	0
Total State Aid for M&O	49,023,897	47,721,901	56,260,979 -199-58XX State
M&O Collections	17,842,338	18,949,722	17,674,260 -199-57XX Local
Less Recapture	0	0	0
Total State and Local M&O Revenue	66,866,235	66,671,623	73,935,239
<u>I&S Revenue Summary</u>			
State Aid for I&S	5,128,917	4,474,570	4,036,700 -599-58XX State
Local Taxes for I&S	7,059,733	8,746,026	8,746,026 -599-57XX Local
Total I&S Revenue	12,188,650	13,220,596	12,782,726
<u>Tier 1 Detail</u>			
Regular Program	40,286,911	39,700,276	43,276,182
Small / Mid-size Allotment		N/A	0
Special Education	4,826,718	4,754,987	5,296,093
Dyslexia		N/A	147,840
Career and Technical	4,571,565	4,504,997	4,910,773
Gifted and Talented	266,035	262,105	N/A
Compensatory	9,581,022	9,207,287	13,415,709
Bilingual / ESL	748,793	737,889	804,352
Early Education Allotment		N/A	1,658,888
College, Career, Military Readiness Allot.		N/A	0
Fast Growth Allotment		N/A	0
Teacher Incentive Allotment		N/A	0
Mentor Program Allotment		N/A	0
Transportation	299,113	299,113	299,113
High School	608,135	599,280	N/A
PEG	0	0	0
NIFA	0	0	0
School Safety Allotment	N/A	N/A	75,366
Dropout Recovery School & Residential Placement Facility Allotment		N/A	0
College Prep Assessment		N/A	0
Cerification Exam Reimbursement		N/A	0
Total Cost of Tier 1	61,188,292	60,065,934	69,884,316
Less Local Share	(16,575,707)	(17,572,993)	(17,269,097)
Tier 1 State Aid	44,612,585	42,492,940	52,615,220

3. Is the Tax Bond Subsidy Fund handout (one page) provided to the Board by the Chief of Staff correct? **May we please have the Title of the Report and the date it was handed out?**

4. The Chief Financial Officer indicated that the Tax Bond Subsidy Fund had been overstated/reduced by \$518,714. Please explain in detail how this overstatement/reduction occurred?

On April 11, 2019, the Board was presented with Tax Bond Subsidy Total Revenue Amount of \$4,442,109. The overstatement of \$518,714 in Total Revenue occurred when the Estimated Revenue Amount was included within the Actual Revenue Amount, which was captured during forecasting. This overstatement is only reflected on the report presented on April 11, 2019 and was not recorded in the district's general ledger.

REVENUES	PRIOR YEAR BALANCE	ESTIMATED REVENUE	ACTUAL REVENUE	TOTAL REVENUE
3600.2 FUND BALANCE - TAX BOND SUBSIDY	\$ 2,440,222			\$ 2,440,222
ACTUAL REVENUE - TAX BOND SUBSIDY (FEBRUARY 2019)			\$ 518,714	\$ 518,714
ESTIMATED REVENUE - TAX BOND SUBSIDY (AUGUST 2019)		\$ 364,459		\$ 364,459
<div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>THE ESTIMATED REVENUE OF \$883,173 SHOULD HAVE BEEN SEPARATED AS FOLLOWS: ACTUAL REVENUE \$518,714 AND ESTIMATED REVENUE \$364,459</p> <p>ESTIMATED REVENUE SHOULD HAVE ONLY BEEN INCLUDED IN THE TOTAL REVENUE AMOUNT, IF THE ACTUAL REVENUE HAD NOT BEEN RECEIVED.</p> </div>				
		\$ 883,173		\$ 883,173
5745 INSURANCE RECOVERY		\$ 600,000		\$ 600,000
TOTAL FROM APRIL 11, 2019	\$ 2,440,222	\$ 1,483,173	\$ 518,714	\$ 4,442,109
CORRECTED TOTAL	\$ 2,440,222	\$ 964,459	\$ 518,714	\$ 3,923,395

5. The school district's auditors have indicated that the Workers Compensation Fund and the Tax Bond Subsidy Fund are restricted funds. Does the Chief Financial Officer agree with this declaration?

The CFO has reviewed the Texas Education Agency Financial Accountability System Resource Guide which indicates the Worker Compensation Fund is a restricted fund. The General Fund which the Tax Bond Subsidy monies are in, is an unrestricted fund.

The CFO also sought clarification on whether or not the Tax Bond Subsidy was a restricted fund, see Auditors response below:

From: <regonzalez@gga-cpa.biz>
Date: August 6, 2019 at 9:50:51 AM CDT
To: Bettinae S Kaiser <bettinae.kaiser@southsanisd.net>
Cc: rgalindo@gga-cpa.biz
Subject: Re: Follow up on email question from one of South San Antonio ISD board member

the term restricted in this context may mean reserved/committed by the board. There are no outside restrictions for its use. If majority of board members decide to use the funds For any other lawful purposes it can do so.

Hope this addresses your question.

Rene